



MPOFANA MUNICIPALITY

"Isithaka Lisezandeni Zethu Masakhe."

The Future Is In Our Hands, Let's Build.

ANNUAL REPORT
2010/2011



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CHAPTER 1

Introduction and Overview

1.1 Foreword: By Her Worship the Mayor



The year 2010/2011 financial year marks the final cycle of the Integrated Development Planning cycle. In our effort in reducing poverty and under-development and improve the quality of life for our community, the municipality remains committed to democratic governance to ensure that our short, medium and long term strategies, priorities and plans are implemented.

The Council was faced with vast challenges emanating from a large percentage of indigent members of the community. This curtails the ability to pay for services and places an enormous burden on the municipality to provide services efficiently and effectively. In spite of all challenges we had to face, the municipality was able through MIG funding to implement two projects in both ward 2 and 4. The impact of those projects is that people of Tendele and Onverwag have a better access to their homes using the roads that have been recently completed.

We still continue to experience challenges in addressing some of the service delivery backlogs more particularly on electricity due to limited financial resources. Our effort to address service delivery backlogs on infrastructure is hampered by inadequate allocations for infrastructure development. The pace at which our infrastructure has been deteriorating over the years far exceeds the available financial resources to address the situation. Despite all the challenges we have faced, we have maintained our resolute stance of ensuring that our finances are managed appropriately. It is in this regard that I am pleased to inform you that our municipality has again received an unqualified Audit Report for the year 2010/2011.

I would therefore like to express my appreciation to all Councilors, Municipal Manager, and his staff for their dedication, cooperation and hard work during the year under review.

CLLR N. J. MPANGASE
HER WORSHIP THE MAYORS



1.2 Legislative Framework

MFMA Circular No. 11 of 14 January 2005 provides guidelines on Annual Reporting. It spells out how an Annual Report should be prepared: "Every Municipality and Municipal entity must prepare an annual report for each financial year in accordance with the-

- Municipal Finance Management Act (MFMA) No. 56 of 2003 and, during the MFMA transition period;
- Division of Revenue Act, and-
- Municipal Systems Act No.32 of 2000."

The Circular further expresses the idea that the Annual Report must be aligned with IDP and Annual Budget (SDBIP). The content and process to follow should be guided by MFMA. The Municipality should disclose in their financial statements amounts owed to them and persistently delayed beyond 30 days.

In terms of Section 127(1) of the MFMA, the Accounting Officer of the Municipality must, within six months after the end of a financial year submit the Mpofana Municipality's Annual Report for this financial year to the Municipal Manager of the Umgungundlovu District Municipality as its parent.

In terms of Sections 127(2) of the MFMA, the Municipality Mayor must within seven months (i.e. 31 January) after the end of the financial year, table in the Council the Annual Report of the Municipality for consideration concurrently with that of the parent municipality - UMgungundlovu District Municipality. Section 129 (1) further suggests that the Council must adopt an oversight report by no later than two months (31 March) from the date on which the Annual Report was tabled.

Section 127(5) states that, immediately after an Annual Report is tabled in the Council in terms of Subsection (2), the Accounting Officer of the Municipality must, (a) in accordance with Section 21A of the Municipal Systems Act, () make public the Annual Report, and () invite the local community to submit representation in connection with the Annual Report; and (b) submit the Annual Report to the Auditor-General, the Provincial Treasury and the responsible provincial department (COGTA).

The Mpofana Municipality Annual Report, and that of UMgungundlovu District Municipality - the parent Municipality, must be tabled to Council by 31 January.



1.3 Purpose of the Annual Report:

Annual Report purports to report on actual performance of the Mpofana Municipality at the end of the year 2010/2011. It reports on how IDP and budget were implemented. It is informed by a collection and consolidation of all 2010/2011 financial and non-financial information about the Municipality.

1.4 Overview of the Municipality



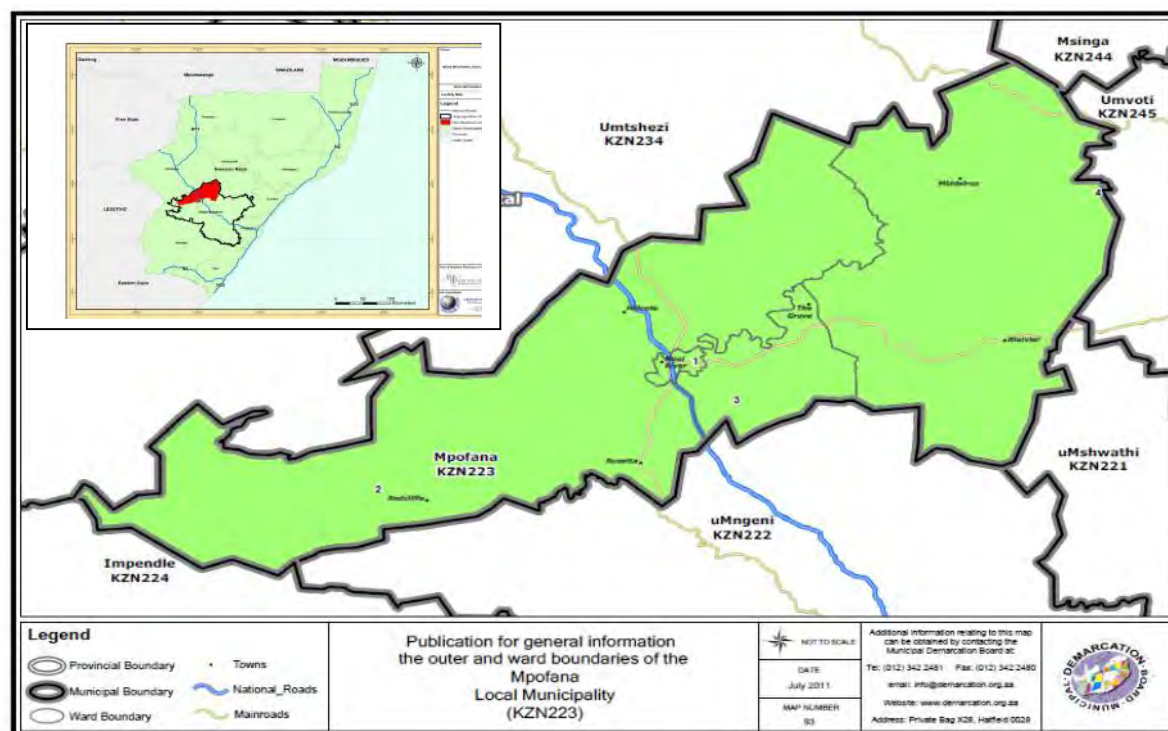
1.4.1 Demographics

Information presented in this Annual report is based on the 2010/2011 IDP which captured its data from the latest 2007 Community Survey and HIS Global Insight 2009 as part of the process of understanding the current situation

The Mpofana Municipality is divided into 4 Wards, which cover the area of approximately 181 000 hectares. These are:

- Ward 1: This is made up of Mooi River, which can be described primarily as a formal urban area within denser development;
- Ward 2: This is made up of Rosetta which is a town area, and Dabulamanzi, Kamberg and Thendele which are rural settlements;
- Ward 3: This is made up predominantly of Bruntville and Townview; which are urban areas;
- Ward 4: This is made up Rietvlei, Middeldrus and parts of Muden, which are predominantly rural settlement areas.

Geographic and Demographic of Mpofana Municipality



1.4.1.1 Population

In terms of community survey for 2007, Mpofana Municipality has a total of 43608 people. Out of this number, statistics show that 15 864 voters were registered for the local government elections in 2006 (IEC Statistics). These can be broken down as follows:

- A. Ward 1: 3686 Voters
- B. Ward 2: 3721 Voters
- C. Ward 3: 3955 Voters
- D. Ward 4: 4502 Voters

() Population compared to Family Municipalities

Table 1 below presents the total population of Municipalities whose parent Municipality is UMgungundlovu District Municipality. It can be noted that Mpofana Municipality has a population of only 4% of the total district population. Mpofana population decline can be observed from 36 820 which was presented by 1996 Statistics to population of approximately 31 518 presented by a 2001 census this was a 14% decline in the population. In the Global Insight survey of 2010 the population is approximately 43608.

Table 1: Total Population

Municipality	Population in number	Population in %
DC22 uMgungundlovu	980,449	9.6% of province
KZN221 Umshwati	110,809	11% of district
KZN222 uMngeni	82,588	9% of district
KZN223 Mpofana	43,608	4% of district
KZN224 Impendle	26,468	3% of district
KZN225 Msunduzi	590,386	62% of district
KZN226 Mkhambathini	66,643	6% of district
KZN227 Richmond	59,948	5% of district

Source: HIS Global Insight 2010

Table 2: Population Grouping

Population Groups	African %		Coloured %		Indian/Asian %		White %		Total
Census 1996	20 932	84.4%	206	0.83%	720	2.90%	2 936	11.84%	24 794
Census 2001	33 143	90%	213	0.57%	797	21.6%	2 662	7.23%	36 820
Community Survey 2007	28 724	91.14%	222	0.70	861	2.73%	1709	5.42%	31 517

(ii) Population Groupings by Age

Table 3: Age by Gender / Distribution (2007 Community Survey)

Age Group	Male	Female	Total Age Group
0-4	1490	1862	3352
5-9	1826	1812	3638
10-14	1952	1874	3826
15-19	1619	1517	3136
20-24	1876	1576	3451
25-29	1431	1297	2728
30-34	1467	1460	2927
35-39	766	1146	1912
40-44	824	908	1732
45-49	535	791	1326
50-54	476	592	1068
55-59	348	493	841
60-64	227	378	605
65<	351	623	974
Total	15 187	16 330	31 517

Data in the Table 3 above shows that a larger portion of the population of the Mpofana Municipality is youth as it falls between 0-34 years age category, which compels the Mpofana Municipality to initiate, develop and put youth development programmes into effect. The 2007 Community data indicates a female majority of 52% and a 48% males respectively. There seem to be a dynamic shift from the previous Census Data which reflected a higher number of males at 51.7% when compared to 48.3% females. The 2007 findings are similar to the National Population Trend which indicates that women constitute a higher percentage of the South African population.

Diagram 1: Comparative Age Distribution Per Ward

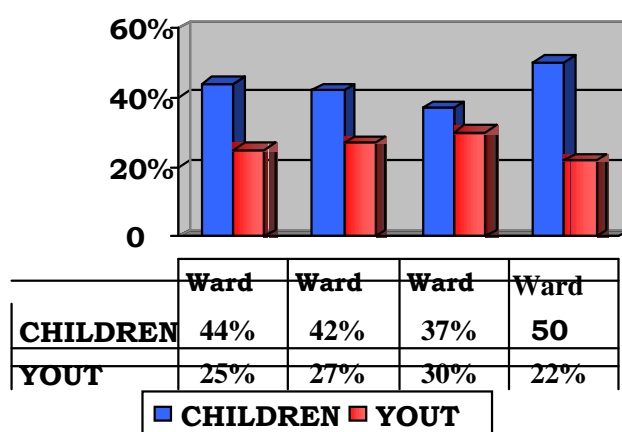


Diagram 1 above proves the following:

- The age distribution at the four different wards in the Mpofana Municipality is a significant proportion of the population, consisting of children and young adults.
- In wards 1, 2 and 4, children constitute more than 40% of each ward total population.
- Thirty seven percent (37%) of ward 3 population fall within the same category.
- The young adult population (20-39 years of age) constitutes 26% with ward 3 having a 30% average.

1.4.1.2 Households

Mpozana Municipality does not have people residing in shacks or squatter settlement as 71, 5% of households are “stand alone” brick structured dwellings. The 2009/2010 housing backlogs was carried over to and 2010/2011 IDP. A plan for projects to implement as strategy of addressing the housing backlogs is now in place, pending the starting up of project in the financial year 2011/2012.

According to the Census 2001 data, the municipality has 9597 total number of households as per Table 2 below:

Table 4: Households (IHS Global Insight 2010)

Number of Households	Number of Formal Households	Number of Informal Households
9243	6304	2941

The municipality in partnership with external bodies has embarked upon establishing a Housing Sector Plan that will enable us to strategically plan housing development within the jurisdiction of the Municipality. The purpose will be to address challenge of the conversion of traditional houses to more formal ones. Most of these are located in rural areas. The IDP process has helped in identifying housing projects that will assist in this regard. (See Table 3below):

Table 5: Dwelling Type (Census 2001)

Nature of Households	1996	2001	2009
Formal	3 055	6 870	6303
informal	109	258	79
traditional	1 250	2 383	2545
Other	18	86	317
TOTAL	4 432	9 597	9243

Overall, the municipality does not find itself with problems relating to people residing in shacks or squatter settlement as 71, 5% of households are “stand alone” brick structures traditional dwellings. The 2009/2010 IDP has identified projects that will assist in addressing the backlogs in terms of housing.

Sustainable human settlement is important in addressing issues of housing backlog. The Department of Housing along with the municipality is currently revamping the households in Townview to bigger and aesthetically appealing housing unit. It will be most important for the municipality to perhaps engage in initiatives that will educate the communities about the importance of preserving and keeping their environment in a good state in order to address other issues related to service delivery.

1.4.1.3 Education Levels

Table 6 below indicates the trends of education levels amongst males and females in the Mpofana Municipality in terms of the following findings:

- A significant number in the population who have not obtained any schooling, especially in females. (It is assumed that the majority of women who have not obtained any schooling largely form part of the older generation of the population).
- There has been over the years a significant decline in the number of people who continue to tertiary education after completing the matriculation level. (This can be attributed to the factors such as poor matriculation results, lack of financial resources to those who pass matriculation, or lack of knowledge of financial aid available to prospective tertiary students, when the poverty levels might also be a contributing factor).

Table 6: Level of Education (2007 Community Survey)

Persons	Male	Female	Total
Primary	4 567	5 239	9 805
Secondary	5 964	5 697	11 661
Certificate/Diploma with less than grade 12	230	248	478
Tertiary	584	556	1 140
No Schooling	1485	2185	3 670
TOTAL	12 830	13 925	26 754

As a strategy to improve its social development provision, the Mpofana Municipality initiated and developed a Youth Advisory Centre, where some of the above spelt education findings and assumptions are addressed.

There is also a functional ABET Centre which addresses the learning needs of the population up to Matric level, as well as FET College which has been established by Municipality to address the needs of the post Matriculants. Both these institutions are housed at Eminyezaneni High School, in Bruntville. The proposed renovation of the Youth Advisory Centre and the Library in the 2009/2010 IDP will also assist in enhancing the educational resources within the municipality.

Population Groupings by Employment Trends

Table 7 below indicates the employment status in the Mpozana Municipality as standing at 48,37% of the total population in the 15-65 year age group. The rationale for this low employment level is based on none economically active individuals and shows a significant percentage of 30,31%. The majority of the people who are not economically active are still engaged in academic studies.

The unemployment levels are projected at 16%. This is due to a lack of economic activities that provide employment to the municipality. This can also be attributed to the closure of textile factories in the nineties, lack of entrepreneurs, lack of infrastructure to boost investor confidence, lack of skilled labour etc. The municipality also faces a shortage in the skilled and professional pool labour as most individuals are employed in elementary occupations.

The lack of skilled labour or professionals in the municipality results in other individuals outside of the municipality being employed within.

Table 7: Employment Trends for the Ages 15 – 65 Years (2007 Community Survey)

Status	Persons	Percentage
Employed	9 564	48,37%
Unemployed	3 180	16,08%
Not Economically Active	5 993	30,31%
Not Applicable	1 033	5,22%
Total	19 771	100%

1.2.3 SERVICE DELIVERY LEVELS

Water and sanitation is one of the most basic needs in the Municipality. There is still a major backlog in terms of water and sanitation in Ward 2 and 4 in the Municipality. These two wards are mostly rural in nature with a fragmented household landscape and this could be a contributing factor in the slow progress of service delivery in these areas.

The Mpozana Municipality has seen it imperative to work collaboratively with uMgungundlovu District Municipality, who at present, is handling the services of water and sanitation for our municipality, in addressing the issue of water and sanitation in the municipality specifically in Wards 2 and 4. It is in the plan of the Municipality to at least have the majority of households having water accessible inside their dwelling houses or inside the yard as much as possible. Crucial to achieving this will be the establishment of more densified settlements in wards 1 and 2 hence bridging the divide in the economies of scale.

i. Water Facilities

Table 8 below indicates an improvement in the service delivery of water within the municipality. There are more households accessing water inside the dwelling compared to the 2001 Census whilst there's a decline in other alternative means of accessing water. This could have been a resultant of the increase in the number of households being built with access to water inside the dwelling. The majority of these households are located in ward 1 and 3 of the municipality. The most significant project giving rise to this trend is the Townview Housing project which is yet to be completed. (See Table 7 below):

Table 8: Water Source

Water Provision	Census 2001	Census 2007
In dwelling	29,6	44,4
Inside Yard	37,5	30,4
Access point outside the yard	8,9	7,7
Borehole	3,2	1,7
Spring	2,5	1,6
Dam / Pool	4,3	1,6
River /Stream	12,3	8,5
Water vendor	0,1	2,0
Rainwater Tank	0,5	1,9
Other	1,1	0,2
Total	100%	100%

Sanitation Facilities

The availability of toilet facilities has been no exception in the improvement of service delivery since 2001 within the Mpoofana Municipality. There has been an approximately 16% increase in the number of flush toilet that are connected to a sewerage system with a significant drop in the bucket system. The increase in the construction of RDP houses could be the contributing factor to this trend as with the water provision. Interestingly enough, there has been a rise in the number of households using the dry toilet facility and it's not clear as to why as these are usually used for special events(See Table 9 below):

Table 9: Toilet Facilities

Toilet Facilities	Census 2001	Census 2007
Flush toilet (connected to sewerage system)	41,6	58,5
Flush toilet (with septic tank)	8,5	2,4
Dry toilet facility	-	6,5
Chemical toilet	2,2	2,9
Pit latrine with ventilation (VIP)	4,2	4,0
Pit Latrine without ventilation	18,0	12,1
Bucket latrine	5,6	0,2
None	20,0	9,0
Total	100%	100%

ii. Electricity

There has been a substantial improvement in the percentages of households that use electricity for lighting purposes when comparing the Census 2001 against the recently conducted 2007 Community Survey (See Table 9 below):

Table 10: Energy / Fuel for Lighting

Energy / Fuel	Census 2001	Census 2007
Electricity	53,4	71,9
Gas	0,3	-
Paraffin	0,7	1,4
Candles	44,8	25,8
Solar	0,3	0,2
Other	0,5	0,7
Total	100%	100%

The majority of the households using electricity are located in the urban centers of the municipality, more especially Mooi River, Bruntville and Rosetta. Within the current context of the electricity crisis in South Africa, it has been seen imperative for the municipality to promote alternative sources of electricity, hence solar system project is in pipeline.

Almost 56.5% of the total households in the Municipality make use of wood for heating purposes. The majority of these households are located in the rural part of the municipality. This fact raises a need for more electricity supply within these areas of the municipal area. This is an indication that natural forests are depleting, which poses downstream environmental concerns. More electricity supply is a strategy towards addressing this issue.

Table 11 and Table 12 below highlight the means of energy used by the Mpozana Municipality Households:

Table 11: Energy / Fuel For Heating

Energy / Fuel	Census 2001	Census 2007
Electricity	32,6	48,7
Gas	1,5	1,6
Paraffin	5,4	3,0
Wood	56,5	43,3
Coal	1,4	2,1
Animal Dung	0,3	-
Solar	0,1	-
Other	2,1	1,2
TOTAL	100%	100%

Table 12: Energy / Fuel For Cooking

Energy / Fuel	Census 2001	Census 2007
Electricity	35,6	55,9
Gas	4,1	3,5
Paraffin	9,9	5,8
Wood	48,3	34,6
Coal	0,8	0,2
Animal Dung	0,2	-
Solar	0,3	-
Other	0,8	1,2
TOTAL	100%	100%

iii. Refuse Disposal

Refuse disposal is critical in creating an enabling environment for every resident of the municipality, more especially the younger generation as they are more exposed to hazardous conditions. The Mpozana Municipality has improved the collection of refuse within its jurisdiction comparing the Census 2001 and the 2007 Community Survey by approximately 10%. Over and above the improvement in the collection of refuse, as part of the implementation of the Property Rates Act, the municipality is implementing a 100% rebate on all residential properties in connection to refuse removal (See Table 13 Below):

Table 13: Refuse Disposal

Remove by Local Authority / Private Company	Census 2001	Census 2007
At least once a week	40,9	51,2
Less often	0,3	2,4
Communal refuse dump	2,8	1,8
Own refuse dump	40,9	37,8
No rubbish disposal	15,2	6,0
Other	-	0,9
Total	100%	100%

iv. Public Health

The Mpozana Municipality is currently serviced by two clinics located in Mooi River and Bruntville respectively. There is also a satellite clinic located in Rosetta that opens once a week. The Bruntville Community Health Centre Clinic is sponsored by the Department of Health. Wards 3 and 4 rely on mobile clinics at present, however, a plan is in place that a clinic is constructed in each Ward.

The detrimental impact of HIV/ AIDS will be beyond than placing the social development institutions at a pressure to make necessary provisions for accommodating the HIV/AIDS orphans who are currently increasing at a rapid pace, such that the impact of HIV/ AIDS has a severe impact to the social and economic development of the area and it can lead to the following situations:-

- Low and/or zero population growth rate, thus affecting the sustainability of projects that are based on certain population projections.
- A significant number of households will suffer a loss of income when the economically active member/ breadwinner die of AIDS pandemic.

- Families of HIV/ AIDS victims will be forced to divert their income, which could have been used for other socio – economic activities to conduct burial ceremonies as the African cultures encourages expensive funerals.
- The economy of Mpofana Municipality in particular will be negatively affected, as income will be lost due to absenteeism caused by ill health, and the necessary training of new incumbents.

On the financial perspective the increase in the number of orphans and object poverty will eventually force the government to spend more on social activities than on capital infrastructure, which propels economic development.

The Mpofana Municipality faces a relentless HIV/AIDS epidemic as approximately 50% of people who get tested are found to be positive. As one of the strategies in place to attend to the matter, the municipality has developed a strategy that will impact positively towards the address of HIV/AIDS challenge. Educating people on the impacts of the disease is the active and effective strategy in the rural and semi urban areas, and the establishment a Hospice in Bruntville is in pipeline.

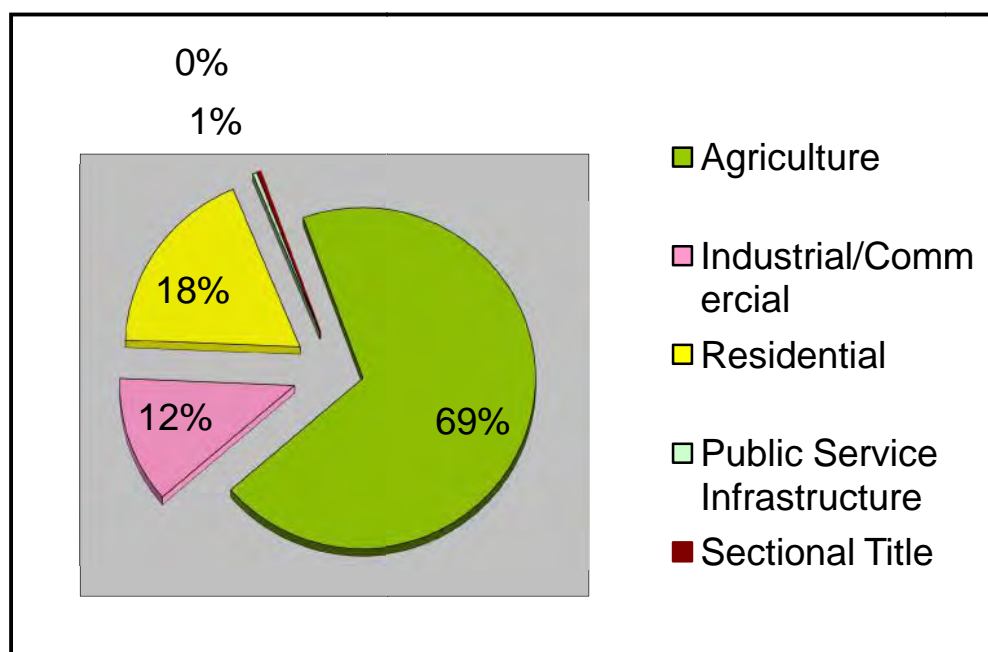
1.4.3 LOCAL ECONOMIC SITUATION

Diagram: 1



Diagram one above reveals that agriculture is the dominant sector according to the employment composition. This is of no surprise since Mpofana municipality's land is agriculture. See Diagram 2, below which shows that 69% of the municipality is zoned agriculture.

Diagram 2:



There are quite a number of individuals who are self-employed through the formal and informal arts and craft sector of the economy. This might be related to the location of the municipality within the Midlands Meander and along the N3. This is a positive trend for the municipality to promote the tourism sector.

The unemployment rate has a direct negative impact on the affordability of municipal services and therefore affects Municipality's cash flow situation negatively. The high unemployment rate also suggests that economic growth and job creation must be considered as one of the key strategic issues for the Municipality. The upgrade of CBD roads forms part of the current IDP operational projects and will boost investor confidence in the Town of Mooi River.

Table 14 below indicates that sectors that are unspecified are the most dominant sectors of employment in the Mpošana Municipality. These could relate to street vendors; tuck-shop owners; taverns, etc.

Table 14: Sector of Work for the 15 – 65 Years

Industry	No. of Persons	Percentage per Sector
Agriculture/Hunting/Forestry/Fishing	685	7,1%
Mining/Quarrying	16	0,16%
Manufacturing	990	10,3%
Electricity/Gas/Water Supply	15	0,15%
Construction	486	5,08%
Wholesale/Retail Trade	1088	11,37%
Transport/Storage/Communication	235	2,45%
Financial/Insurance/Real estate/Business	520	5,43%
Community/Social/Personal services	1092	11,41%
Other and not adequately defined	1176	12,29%
Unspecified	3261	34,09%
TOTAL	9564	100%

The municipality has seen more entrepreneurs engaging in small businesses with assistant from the LED section and this will be vital for economic development. The review and implementation of the LED Strategy is seen as one of the most important tools in addressing economic development hence, it has been included in the current IDP Review as a strategic initiative by the municipality.

There seem to be a need that focus is given to other sectors through private-public initiatives. Some of the private sectors have shown interest to partner with the Municipality to develop middle to high income housing. As Municipality we feel this is the good strategy that might strengthen the construction industry within the municipality.

1) Tourism

“Local tourism” is defined as a function of municipalities within the Constitution. municipalities have a responsibility to exercise the developmental mandate across all functions delivered at local level including the development and marketing of the tourism sector.

The tourism sector is starting to play a pivotal role in the provision of employment and economic growth. There have been a number of agric-tourism related applications submitted to the municipality and have been encouraging for the future economic growth of the municipality within the agricultural sector. The Spatial Development Framework has in this regard taken consideration of the tourism potential within the municipality and identified nodes that will promote the sector.



While accommodation is important as a tourist activity in itself, the use of such accommodation facilities is often reliant on their being tourism activities in the area for tourists to undertake when not resting. The following is a list of tourism activities that have been established within Mpofana land:

- Recreational Tourism
- Adventure Tourism
- Nature Based Tourism
- Cultural and Historical Tourism
- Arts and Craft Tourism
- Events tourism
- Agri-tourism

There seem to be a need also that the Municipality preserves its agriculturally viable land. This will be achieved with assistance from the Department of Agriculture.

2) Small Medium and Micro Enterprises (SMMEs) in Mpofana

The growth rate and survival of SMMEs IN THE Municipality has been generally acknowledged as these are indicators of economic growth. However, the UKZN research indicates that most SMMEs in Mpofana do not view the support measure for enterprises offered by the District as being particularly effective. The following were viewed as measures that would be useful to support SMMEs:

- Provide incentives for investment
- Improve business support
- Provide information on development
- Increase local purchasing
- Promote PPP
- Assist business in marketing

Improving the small business sector and enhancing the second economy for economic growth are critical to addressing the high unemployment levels within the municipality.

There are currently approximately 263 registered SMMEs serving the Mpofana Municipality. The Mpofana Municipality's 2009/2010 IDP Review has taken cognizance of the importance of SMMEs in the economic growth of the municipality. SMMEs should

however not only focus in urban areas but also in rural areas of the municipality. In this regard, the municipality in the next five years will engage with rural co-operatives and SMMEs in order to enhance this sphere of the economy.

1.4.4 SPORTS AND RECREATION

Table 15 below indicates the availability of recreational facilities, although some Wards are still without. Most of the available facilities require significant upgrading and revamping in order to fully benefit in sports, arts and cultural aspect of the municipality. The aim of Sports and Recreation is to improve the quality of all South Africans by promoting participation in sports and recreation in the country, and through participation of South African sportspersons and teams in international sporting events.

The above statement encapsulates the overall South African picture in terms of sports and recreation but it is at municipal level where everything has to be planned accordingly to fully utilize the talent at international level. To this end, the Mpofana Municipality has a number of interventions that assist in fully capitalising on this aspect of the community. The municipality has had a great impact in the province in the performing arts and would require the municipality to invest in this aspect.

Table 15: Recreational Facilities

Location	Facilities	IDP listed Projects
Ward 1	<ul style="list-style-type: none"> Tennis Court but needs upgrading Mooi River Town Hall PenendaleSportfield but needs upgrade 	<ul style="list-style-type: none"> Upgrade of Mooi River Tennis court TownviewSportsfield
Ward 2	<ul style="list-style-type: none"> Multi Purpose Centre 	<ul style="list-style-type: none"> Rondebosch Stadium Rietvlei Stadium
Ward 3	<ul style="list-style-type: none"> Basketball Court BruntvilleSportfield Bruntville Community Hall 	<ul style="list-style-type: none"> Upgrade of BruntvilleSportsfield Bruntville Recreational Park (Combo courts) Mshayazafe Botanical Park
Ward 4	<ul style="list-style-type: none"> Middelrus Community Hall Middelrus Combo courts MiddelrusSportfield 	<ul style="list-style-type: none"> Bhumaneni Stadium Waterfall Stadium Mdubuzweni Stadium Middelrus Stadium

1.4.5 MEANS OF COMMUNICATION

Tele-communication

Table 16 below indicates that Cellular telephones are becoming the most popular means of communication with 13.2% of the total number of households utilizing cell phones as a main source of communicating. This number may have grown drastically since the year 2001. At an international level South Africa is one of the leading countries with the highest cellular telephone usage. Planning should consider the improvement of network servicing especially in remote areas where these are increasingly becoming popular. The Mpofofana Municipality at its council meeting approved a Vodacom Base Transceiver Station and Mast to address the network problem in the Kamberg Valley hence meeting its development mandate.

Council has entered into a 10 year lease agreement with Cell C, MTN and Vodacom to erect a cell mast at Bruntville to assist and improve network problems in Ward 4. This will also assist in provision of other services necessitated by open communication; such as being able to call for ambulance services in Ward 4, which is presently challenge for residents.

The statistics also show that just over $\frac{1}{4}$ of the population is still depending on public telephones whilst another $\frac{1}{4}$ does not have any form of communication. Both these can be expected to comedown as cellular telephones take over.

Table 16: Means of Communications; Census 2001 (SSA)

Communication Means	No. of Households	Percentage
Telephone in dwelling and cell-phone	943	9.8%
Telephone in dwelling only	540	5.6%
Cell-phone only	1261	13.2%
At a neighbor nearby	809	8.4%
At a public telephone nearby	2754	28.8%
At another location nearby	224	2.3%
At another location; not nearby	529	5.5%
No access to a telephone	2533	26.4%
TOTAL	9597	100 %



1.4.6 LAND REFORM PROJECTS

Land Reform and Rural Development

A number of land reform projects have been previously initiated in the Mpofana Municipality. To date, a number of these projects have not been finalized leaving the people settled in these areas without access to basic services. According to DLA funding has been allocated for these projects, but the location and progress.

The critical issue in the land reform process is ensuring the sustainability of land that has been handed to relevant beneficiaries. The majority of beneficiaries lack the necessary skills required to fully utilize the agricultural potential of the land that they occupy. Included in the 2009/2010 IDP is a project called the Commercialization Plan for LRAD farms, a partnership by the Mpofana Municipality, Department of Agriculture and the Department of Economic Development which we hope will support in the skills training for land reform beneficiaries thus the development of our rural communities.

Table 17: Existing Land Reform Projects

Name of Project	Number of Households
Corriesrus	14
Springfield	13
Onverwagt	46
Goudina	25
Bellevue	49
Middelrus Share Equity	25
Waterfall View	42
Higlover Estate	59
Total	273



1.5 EXECUTIVE SUMMARY

1.5.1 Legislative Mandates

1.5.1.1 Constitutional Mandates

The Municipality must strive within its administration and financial capacity, to meet the objectives of Local Government, which are the following:

- Provision of basic services to communities in a sustainable manner in terms of Section 152 of the RSA Constitution;
- Promotion of social and economic development;
- Promotion of democratic and accountable local government;
- Promotion of a safe and healthy environment;
- Involvement of communities and community organizations in the matters of Local Government.

The Constitution also requires municipalities to structure and manage their administrations, budgeting and planning processes in such a manner as to:

- Prioritize the basic needs of the communities;
- Promote social and economic development, and
- Participate in national and provincial development programmes.

1.5.1.2 Other Legislations/ Policies:

- Provincial Growth Development Strategy;
- White Paper on Local Government;
- Millenium Development Goals;
- Medium Term Budget Policy Statements;
- Municipal Systems Act No 32 of 2000;
- Municipal Structures Act No 117 of 1998;
- Municipal Financial Management Act No 56 of 2003;
- Demarcation Act;
- Reconstruction and Development Programme of 1994;
- Municipal Property Rates Act No. 06 of 2004;
- Macro Economic Policy (Employment Growth and Redistribution);



- Accelerated and Shared Growth Initiative (2004);
- Expanded Public Work Programme (2003);
- National Spatial Development Perspective;
- Provincial Spatial Development Strategy, and
- Labour Relations Act.

1.5.2 Mission Statement

Mpofofana Municipality is a pro-active, democratic and accountable municipality which is committed to social and economic development, provision of efficient, affordable, sustainable and customer oriented services to its community whilst striving to sustain financial viability.

1.5.3 Vision for the Municipality

By Year 2020, Municipality will be an economically vibrant and developmental Municipality, able to generate employment for all its economically active residents, be affordable place to inhabit, and with its environmental endowment, be strong competitor for tourist trade and investment.

1.5.4 Principles and Values

The principles and values which Mpofofana Municipality ascribes to are as follows:

- Maintain Customer focus and strive for quality, effectiveness, efficiency and sustainability in the delivery of all our services;
- Develop a high culture of performance and excellence based on innovation and development;
- Undertake the responsibility with stewardship and play a leadership role on issues of importance to the municipality;
- Active seek and forge mutually beneficial partnerships with all its stakeholders;
- Communicate effectively with communities and other stakeholders in a manner that promotes their participation;



- Act with respect, honesty, trust and empathy;
- Uphold diligence, professionalism and risk tolerance in our quest for innovation and improvement in service delivery;
- Promote ongoing development of management and adaptable skills to cope with changes in the environmental and customer expectations;
- Create an environment that is conducive to self-initiative and fostering a culture of individual identity with the Municipality as an organization;
- Commitment to equity and social redress, and
- Be inclusive, transparent, accountable and act with integrity.

1.5.5 Goals, Objectives and Priorities

The overall goals and objectives for the Municipality which are drawn from the formal mandates are as follows:

- To improve financial management to ensure sustainable financial viability;
- To instill, advance and sustain a good organizational culture and service excellence;
- To create and ensure a conducive environment for Economic Growth and Development;
- To leverage and enhance municipal capacity to promote democracy and accountability;
- To ensure continuous improvement in the level and quality of service delivery, and
- To promote coordinated planning, implementation and continued evaluation.

1.5.6 Statement on Financial Health

The Mpofofana Municipality had set a target of reducing the existing bank overdraft by 50% in 2009/2010 financial year and eventually to zero this year onwards. This target was achieved by the municipality. Yet a culture of non-payment still needs to be eradicated through consumer education within the municipality.

CHAPTER 2

PERFORMANCE HIGHLIGHTS

2.1 SERVICE DELIVERY ACHIEVEMENTS

KPA1: Basic Service Delivery and Infrastructure Development								
	Performance Indicator	Annual Target	Demand	Baseline	Backlog	COMPARISONS BETWEEN YEAR 90/10 AND 10/11 FINANCIAL YEARS		Responsible Department
						Achieved Outputs 2009/2010 Quarter 1 to Quarter 4	Achieved Outputs 2010/2011 Quarter 1 to Quarter 4	
1.	No. of new electricity connections	600 new household connections.	Errata :600	10323	2653	-Townview: plus 60 new connections -% Households with Solar panel: Was not achieved	48 However the challenge is the limited number of electricians in doing new connection	Technical Services
2	Substations upgraded	1	3	1	2	Not achieved, pending the employment of Technical Manager	Not achieved due to aging infrastructure which have been identified as the priority.	(ERRATA: ACTUAL ANNUAL TARGET WAS 600 ACCORDING TO THE IDP)
3	Electrification Plan	1 Plan	1	NIL	N/A	Not a target for 2009/2010	1 is In place	
4	Maintenance Plan	5 Maintenance Projects	5	Nil	N/A	Infrastructure maintenance plan targeted was not developed due to the unavailability of Technical Department Manager.	In place	
5	Reduction on the frequency of the interruptions on electricity supply.	80%	100%	Not Detected	N/A	Plus 200 street light were maintained	A plan is in place. Reduction is gradually getting reduced. Quantifying % reduction is the challenge	Technical Services
6	No. of households with access to basic (or higher) or higher levels of electricity)	10,323	4648	10,323 (94.1%)	24.20% (5.90%)	9597 (Stats SA)	94.1%	
7	No. of households with access to free basic electricity	NIL	5000±	Nil	5000+	9597 (Stats SA)	2900	
8	Number of Households with access to basic (or higher) refuse removal	10,965	10,965	9,819	1,146	All Municipal households had access to weekly kerbsite/ refuse removal.	9,819	

9	Number of Households with access to basic (or higher) levels of water	10,965	10,965	9,819	1,146	9597	9,819	UMDM
10	Number of Households with access to free basic water	UMGUNGUNDLOVU DISTRICT MUNICIPALITY FUNCTION						UMDM
11	Number of Households with access to basic (or higher) levels of sanitation	10,965	10,965	8,306	2,659		8,306	UMDM
12	Number of Households with access to free basic sanitation	UMGUNGUNDLOVU DISTRICT MUNICIPALITY FUNCTION						UMDM
13	Review and implement Waste Management Plan	Waste Management Plan	1	Nil	1	- A refuse removal routine plan was developed and effectively implemented;	1 is in place	Technical Services
14		Routine Maintenance: Bruntville, T/View, CBD, Suburbs (2 collections/ week/ household (96)	10965	5614	5355 (Mainly Rural)	- Daily removal of refuse at alternative areas and times was effectively done; - On site Refuse removal plan was effectively implemented owing to the need of employing 2 refuse site staff, and the purchase of a TLB.	In place and ongoing	
15	Establish transfer stations for Ward 2 & 4	One Transfer station	2	1	2	Not a target for 2009/2010		
16	Operations and maintenance plan	Plan	1	Nil	1	Not a target for 2009/2010	N/A	
17	Waste Management Educational Campaign	2 Campaigns	4 (1 per Ward)	Nil	4	Not a target for 2009/2010	1 Waste Management Campaign was held on the 26 March 2011 (clean up campaign)	
18	Supply of refuse removal bags	384000	384000	Nil	N/A	Not a target for 2009/2010		

19	No. of KM of roads Maintained	40 km	121km	48km	121km	-Tar Patched:Bruntville Main Rd,Norfolk Terr., Church road, Claughton Terr. Townview,White CITY, Municipl. Rd; Old Clinic Rd. - 24 targetted speed humps were not developed due to lack of budget.	13km tar road patching was achieved	Technical Services
20		230 km Roads Maintained (R103, Re-gravel D568,P174,D 371&Rocky Drift 4km)	290km	169km	121km	-Gravel roads patched:Ward 4(Muden,Mdukuzweni, Nyamvubu) est.3kms, Rosetta 500m, Ward2 Thendele 1km. -Rural Road development plan was in place, but pended was its implementation - Targetted number of MIG projects registered to Access Roads was not achieved due to the unavailability of Technical Manager	P169 - 5km; D568 - 6 km re-gravelling	
21	No. of KM of verges maintained	92 hacters	92km	Ongoing	Ongoing	All Bruntville Drains completed,In Town; Lawrence Road=4;Sterling Terrace=2; Town view 20 blocked drains done, White city 6 done.	37 +17 (A total of 54) hactres were maintained	
22	No. of electricity outages maintained	< 16	<16	Continual	N/A	Continual	Continual, but actual achievement is hindered by the ageing electrical infrastructure network	
23	No. of parks and gardens maintained to reduce complaints	3	3	3	Nil	3	3	
24	Number of cemeteries maintained	6 Cemeteries	6	6	Nil	All 6	(All 6) Maintenance project achieved	
25	Building and maintenance plan	1	1	Nil	1	Pending	Maintenance plan is being drafted	
26	% of offices and buildings maintained	100%	25%	75%	25%	1 office	Maintenance is being effected on all office buildings according the schedule plan	
27	No. and % of halls and libraries maintained	7 halls & Buildings (100%)	7	3	4	Maintenance project for 2 halls was not achieved. However, burglar guards were installed at Bruntville Library.	Halls are maintained accordingly	

28	No/ % of municipal houses maintained	9 Municipal Houses (100%)	9	Nil	9	Kitchen and ablution for staff targeted for renewal into a staff changing room was not achieved – Technical Manager; Some but not all of the staff offices were well maintained. Due to budget constraints.	Maintenance plan being drafted
29	Develop new public and community facilities	No. of facilities	3 (Botanical gardens, Park, Memorial Stone)	Nil	Nil	Not a target for 2009/2010	Maintenance plan is being drafted
30	Upgrade facilities provided	2 proposed cemeteries and crematoria sites	2	Nil	N/A	Nil-Lack of Technical Manager	Cemetery space has been advertised through UMDM
31	Development plan for provision of cemeteries and crematoria for both urban and rural areas	2 Proposed cemeteries	1	Nil	1	Nil-Lack of Technical Manager	
32		Crematorium Feasibility study	1	Nil	N/A	Nil, pending Technical Manager	
33	Review a housing sector plan	Housing Sector Plan Review	1	SHP	1	Nil	
34	Development of a needs data base	Data Base	1	Nil	1	In place	In place
35	Development of a register of completed houses handed over per project	1 Register of completed houses handed over per project	1	Nil	1	Nil	
36	% Reduction in housing backlogs	5% Reduction	1670 Houses	8 (Phumlaas Project)	392 (Phumlaas project)	A total of 400 beneficiaries was registered for these prospective projects: Thendele: The issue of land was not resolved; Vrytaat:120 beneficiaries; Sierra Ranch: 120 Beneficiaries; Bruntville (Phumlaas):400 Beneficiaries	No reduction yet, but Phumlaas project has commenced with construction

						Craigburn: 850 Beneficiaries; Bruntville Hostel 80 Beneficiaries; Rosetta: 125 Beneficiaries.	
37	No. of housing projects funded	6	6 Projects	One (Phumlaas)	5	According to the Housing Sector Plan: No Rural Housing projects were done. However, the following were projected at the total of 1215 rural houses: 1. Thendele: Pending the unresolved issue of land. 2. Vrytaat: 120 beneficiaries; 3. Sierra Ranch: 120 Beneficiaries; 4. Craigburn: 850 Beneficiaries; 5. Rosetta: 125 Beneficiaries 6. Townview project has been finalized. 7. Phase 1 for Phumlaas Project has been completed.	Achieved: 1. Craigburn at Dev planning Phase; 2. Phumlaas at Construction phase; 3. Sierra Ranch at planning stage; 4. Vrytaat in the Planning and Development phase
38	Finalized and processed outstanding title deeds	Handing over of all outstanding Title Deeds	76	76	Nil	The matter was seating with deeds office	76 Riversdale Title deeds have been handed over
39	Development of a Roads network plan for construction and upgrading of roads	Roads network plan	1	Nil	N/A	N/A (5 YR PLAN)	N/A
40	No. of km of Roads Developed	9.6 km of Gravel Road constructed	9.6	48	9.9km	N/A (5 YR PLAN)	N/A
41	Number of roads projects prioritized and registered	A register of all identified Roads Projects	1	Nil	N/A	Nil	
42	Number of Roads projects prioritized and registered with MIG	4 projects	1. Sithole , Ngwenga Rondesbosch Rds); 2. Shiyabazali; 3. Muden and 4. Br/ntville Main Rd.	Nil	4	On going	2 projects- Phumlas roads; Rosetta Roads have been registered with MIG

43	No. of complaints parks and gardens maintained	No. of sites identified				A botanical garden intended developed was not done due to restricted cash flow and the unavailability of the Technical Department Manager.	3 sites: Botanical Gardens in Bruntville, another one in Lawrence Road, and Municipal Park,
44	Identification of possible parks and gardens site	Number of Parks and gardens				Nil	
45	Development and Implementation of Parks and Gardens Maintenance Plan	1 Plan				Nil	In place

KPA 2 Social and Local Economic Development

	Performance Indicator	Annual Target	Demand	Baseline	Backlog	COMPARISONS BETWEEN YEAR 90/10 AND 10/11 FINANCIAL YEARS		Responsible Department
						Achieved Outputs 2009/2010 Quarter 1 to Quarter 4	Achieved Outputs 2010/2011 Quarter 1 to Quarter 4	
46	Reviewed IDP	IDP Adopted by 30 May	1 review	IDP Document	N/A	In place	In place. It was adopted on 10 th May 2011.	Social, Economic and Planning Services
47	Adopt the developed process plan	IDP Process Plan	Process Plan	Process Plan in place	Nil	In place		
48	No. of Stakeholder meetings	8 annual Stakeholder meetings	8 p/a	N/A	Nil	3		
49	Formulation of the Environment Management Plan	Environmental Management Plan	1	1 Rosetta Plan	3 (1 or each Ward)	Nil		
50	Establishment of Environmental management forum	1 Forum	1	Nil	Nil	Nil, pending its budget	Not achieved, pending is its budget.	
51	Formulation of environmental Policy	Environmental Policy	1	Nil	1	Nil	In place.	
52	LUMS and SDF Document, Development5 applications Zoning, subdivisions, etc	4	1 Review	N/A	Nil	In place	In place.	
53	No. of streets and facilities named	40	40	Nil	40	Not Achieved. Pended the availability of the Technical Manager.		
54	% Reduction in poverty prevalence	10.00%	40%	60%	40%	Uncertain	Uncertain.	
55	% Households earning more than R2500p/m	4%	Plus 720 (as per indigent Register)	N/A	N/A	Information easily attained	Statistics not secured.	

56	% Households on the indigent on the indigent register	3.49%	720	N/A	N/A	Indigent Register was still in process	22% of the total population is in the register	
57	No. of food gardens established	100	N/A	N/A		50+	More than 100 thought one home one garden project.	
58	% Workforce formally employed	52.37%	9194	7761	1433	50	50 actual number	
59	No. of jobs created through capital projects (EPWP)	100	1433	Nil	N/A		More than 100.	
60	Needs analysis for Primary Health Care	Needs Analysis Report	1	Nil	N/A	In place	In place.	
61	No. of people visiting Health care facilities	12 000	12000	3000	9000		7181 : Target met	
62	Health Facilities	1	5	1	4	1 is In place	1 is still in place	
63	No. of new sites identified to extend health services	1	4	2	3	1	1 Tholimpilo Community Health Centre	
64	A Business plan	1	1	NIL	N/A	Not in place	achieved:Clinics are awaiting their transfer to Province.	
65	SLA with KZN DoH	1	1	N/A	N/A	Negotiations had just started	In place.	
66	% Population exposed to HIV/AIDS awareness/ Education	100%	1005	N/A	N/A	MIPA and WIPA in place	100% MIPA and WIPA structures in place.	
67	No. of meetings of HIV/AIDS Council	6	6	N/A	N/A	3	3 meetings were held.	
68	% target population undergoing	60%	100%	N/A	N/A	Statistics not attainable	In place. However, it was noted that most men refuse to test..	

	voluntary testing							
69	% Population infected (CD4<350) receiving treatment through AIDS treatment programme	100%	100%	N/A	N/A	Statistics not attainable	100% (84 actual number) – A Provincially managed programme. People must be receiving treatment as there are no complaints.	
70	% decrease in HIV prevalence amongst antenatal women	1%	100%	N/A	N/A	Statistics not attainable	Information is confidential – It is not accessible .	
71	No. of people attending and graduating from the ABET classes	20	40	20	20	Nil		
72	No. of facilities offering ABET	1	1	1	Nil	Nil	Eminyezaneni) is	
73	No. of people having access to the skills development programme	40	100	40	Nil	Nil		
74	No. of people granted community bursary	1 per Ward× 4 students	20	4	16	4		
75	No. of Urban Renewal Programmes	3	3	Nil	1	1	Only 1 is in place.	
76	A Database of all active programmes	1	1	Nil	Nil	Not in place		
77	Product development and marketing plan	1	1	Nil	Nil	In place		
78	No. of investments or	5	5	NIL	NIL	Negotiations had just started		

	enquiries with specific emphasis on tourism, agriculture, agro-processing, manufacturing and commerce, and services sector						Park; Middeldrus Vegetable	
79	Growth in agriculture yield	4%	Ongoing	N/A	N/A	No information	Information pending	
80	No. of tourists visiting the municipal area	100+p/m	100+ p/m	70p/m	30 p/m+	70 p/m	Target was met and exceeded	
81	No. of SMME's operating in the area	15	15+	30	NIL	<p>Training of Entrepreneurs was achieved. More than 4 training sessions , e.g. Training of Informal Traders, Textiles Co-orps , Arts and Craft, Agriculture</p> <p>BR&E committee of 10 members is functional.</p>	A target of 40 was achieved. SMME's are fully operational.	
82	Adopted Tourism Development Plan/Strategy.	Implementatio n of the Tourism Strategy	1	N/A	N/A	A tourism strategy was developed and implemented: Tourism Officer was appointed; Memorandum of agreemenwas signed with N3 gateway; WozaWozaLapa project was effected.	In place	
83	No. of sequestrations/ liquidations.	0	0	N/A	N/A		1	
84	No. of jobs created through initiatives of the Midlands Economic Development Agency	100	100	NIL	N/A		Planning Phase	

85	% Budget Spent on LED	100%	100%	NIL	100%		LED summit expenses were R337.19 of R8271.81 Summit Budget.
86	Investment incentive policy	1	1	NIL	NIL	Implementation of the incentive scheme was not achieved due to land availability constraint.	In place
87	Tourism brochure	1	1	NA	N/A		In place
88	LED Summit	1	1	N/A	1	LED strategy was developed and implemented; Number of jobs created through LED and Capital Projects could not be secured due to Technical Manager constraint; Economic Development Forum was put in place and it met 4 times.	LED summit was not achieved
89	Landscaping	2900msq	2900msq	N/A	N/A		Nil
90	No. of established and functional co operatives	20	20	N/A	N/A	Special Projects: Spar' and WozaWozaLapa, were in place	Only 3 are functional
91	% Increase in number of development initiatives driven by women	10%	10%+	N/A	N/A	Not achieved	Nil
92	Organized gender summit	1	01/Jan	N/A	N/A	In place	In place
93	No. of meetings of Gender Council	2	2	N/A	N/A	2	4 In place: 1 meeting in each of the 4 Wards met.
94	Support programme for Disabled people	1	1	N/A	N/A	In place	1 is in place. Disable people have been trained.
95	Number of meetings for the Council of Disabled people	4	4	1	3	1	1 meeting met
96	No. of youth attending and graduating from skills training initiatives (ABET)	40	40	N/A	N/A	Nil	40

97	No of facilities offering ABET	1	4	1	3		1
98	No. of youth attending skills development initiatives	100	100	N/A	N/A	Nil	100
99	No. of youth granted community bursary	4	4	4	N/A	Nil	In place
100	No. of youth outreach Programmes	10	10+	5	5	1 Youth Forum (W2 and W4)	1: Flagship programme is in place 2. Kwanaloga games (11 codes)
101	Increase in number of programmes driven by youth	5%	5%	Ongoing	Nil	Ongoing by 2% increase	10% youth programmes
102	Youth Strategy Document	1	1	NIL	1		2% annual increase In place (However, a strategy is not yet in place as its development process is in progress
103	Decrease in drug related crimes involving the youth	10%	100%	Ongoing	N/A	Drug increase is still a challenge	Drugs and Alcohol consumptions are still a challenge. However, there an estimate of 2% decrease through Youth Ambassadors
104	Development of a youth Council	6 Youth Council Meetings	1 Council	Nil	A Council	Not a target for 09/10	Nil
105	No. of Arts and Culture Council meetings	6	6	3	3	2	1
106	Arts and Culture Programme	1	12	Nil	1	In place	In place
107	Sports and Recreation programme	1	1	1 Sports Centre	Nil	In progress	A Sports Centre at Town View is in place
108	No. of sports codes developed and functional.	12	12	5	7	The targeted Combo Courts development was not achieved due to lack of budget and Technical Department Manager	12
109	No. of schools participating in	5	5	10	5	5	5

	development sport initiatives.						
110	Policy and procedures in place	1	1	NIL	N/A	In place	In place
111	No. of community outreach programmes.	8	8	8	NIL	1 Flagship programme	Nil
112	Cybercardet business plan	1	1	NIL	1	Not in place	Not in place
113	Needs analysis report	Assessment Report	1	NIL	1	Not in place	In place
114	New Toilet facilities	1	4	NIL	4	Not achieved	Nil

KPA 3 MUNICIPAL FINANCE VIABILITY AND FINANCIAL MANAGEMENT

	Measurable Strategic Objective /Output	Performance Indicator	Demand	Baseline	Backlog	COMPARISONS BETWEEN YEAR 90/10 AND 10/11 FINANCIAL YEARS		Responsible Department
						Achieved Outputs 2009/2010	Achieved Outputs 2010/2011	
						Quarter 1 to Quarter 4	Quarter 1 to Quarter 4	
115	Debt coverage Ratio	Ratio to be 1:1	1:1	1:1	NIL	The Debtors Turn-Over Ratio has reduced from the previous financial year. It has moved from 251 days to 180 days yet there is still room for improvement. Net debt to ebeta: - 0.60	Work in progress Net debt to ebeta: - 0.71 (Improvement)	Chief finance officer
116	Maintain outstanding service debtors at 30%	30%	30%	30%	NIL	The Debtors Turn-Over Ratio has reduced from the previous financial year. It moved from 251 days to 180 days yet there was still room for improvement. Debtors : 83110495 Net Balance: 29304157 i.e. Collection Rate: 75%, hence 25% of current year.	40 % as collection rate is 60 % at end of June. 55% Collection Rate of what is billed.	
117	Compliance with the requirements of MFMA	Unqualified Audit Report	100% Compliance	100% Compliance	NIL	An unqualified audit report was issued by AG	Not yet audited, achieved for 2009/2010	
118		Ratio to be 1:1	1:1	1:1	NIL	72% Compliance	66 % MFMA compliance as last assessment	
119	% rates collection improvement	70% per month.	100%	N/A	N/A	75% rates collection	60% Rates collection of what is billed.	
120	Number of days taken to collection of debtors	At least 60% days or below	60%	N/A	N/A	360	235	
121	% Growth in total services and rate income.	At least 12%	Less than 12%	N/A	N/A	77%	11% rates income. 77% Services income.	
122	Ratio of current assets to current Liabilities	At least the ratio must be positive and greater than or	<1	N/A	N/A	1.43	1.27	

		equal to 1					
123	% Reduction in overdraft facility	100% elimination of overdraft usage	100%	N/A	N/A	-Overdraft facility was reduced slightly above 50% -Dependency was reduced by 30%	No overdraft at year end bank balance was R 402 422.
124	% increase contribution to capital budget	10% Contribution to Capital Budget	10%	N/A	N/A	The increase to the capital budget was not achieved. Plans are in the pipeline to approach DBSA with an investment sector plan for possible front loading of MIG funding for the next financial year	Budget contribution was not increase by 10 % due to the much required maintenance and this is the budget allocation which was increased significantly.
125	Number of objections/ appeals	Cost coverage ratio	1:1	1:1	N/A	2.03	2.32
126		Maintenance of evaluation roll	1 ER	N/A	N/A	Valuation Roll, along with Supplementary Valuation were in place	Supp Valuation roll has been advertised of objections
127	R Value of invoices raised	100%	100%	N/A	N/A		
128	Amount invoices to customers / No. of Billing copies	12 Billing Copies	12	N/A	N/A	12	12
129	% of actual personnel to be total expenditure to be within National Benchmark	Personnel cost within 30% threshold	30%	N/A	N/A	13%	21%
130	Number of days taken to pay creditors	Creditors paid within 30 days per month	30 days	N/A	NIL	99	67
131	% Increase contribution to Capital Budget	At least 10% increase to Capital Budget	10%	N/A	N/A	The increase to the capital budget was not achieved.	The strategy was to focus on maintenance
132	A Draft Budget approved by Council at least 30 days before the start of the year	3/ 31/ 2011 (Draft)	Council Resolution	N/A	Nil	Achieved	
133	Budget approval by Council	31-May	31 May	In Place	Nil	Achieved	Achieved

134	Monthly Control Matrix Reports	12	12	12	Nil	Achieved	110 % adjusted of budget spent
	I & E Monthly Departmental Reports	12	12	8	Nil	Done regularly and timely	3
135	Mid-Year Assessment/ Review: Quarterly Reports	4	4	N/A	N/A	In place	In place
136	% of actual Budget spent	<85%	100%	N/A	N/A		In place
137	Up to date loans register must be maintained	Up to date loans register	1	1	Nil	Achieved	Updated
139	Zero audit opinions on the assets register	Zero audit opinions	0	0	Nil	Achieved	Not yet finalized for year end
140	100 % assets acquired tagged / bar-coded	98% reduction in Asset register finding	100%	NIL	NIL	Achieved	Reformed ABSA Fleet.
141	% of assets written off and disposed off	98% reduction in Asset register finding	100%	In Progress	N/A	Work in progress	
142	Annual Financial statements submitted on time	AFS to be ready by 31 August	31 Aug	N/A	N/A	AFS s were produced in time as noted by AG	Achieved
143	Unqualified Audit Report	1	Yes	In place	N/A	Yes	Hopeful
144	No. of Section 71 submitted to Treasury	12 Reports	12	12	NIL	12	12 reports
145	Mid- Year Review / Assessment : All returns at least 4 times per annum within due date	Mid- Year Review Assessment and Quarterly Reports	1 mid year Review	1	NIL	Was done 4 times	Done and presented to Council 25 January 2011.
146			4 Reports	N/A	4	In Place	In place
147	No. of Section 72 submitted to Treasury	4 Reports	4	4	NIL	In place	4 Reports are in place
148	Monthly reconciliation balanced to Control Accounts	All Returns at least four times per annum with due date	12	12	Nil	In place	In place
		To prepare and submit monthly reconciliation in accordance with the financial control matrix				In place	Continual

149	Cheque / DBSA Statements	2	2	2	NIL	In place	In place	
150	Reconciliations with General Ledger	2	2	2	NIL		In place	
151	Quarterly submission of all reports required by the legislation.	4	4	4	NIL	In place	In place	
152	Supply chain management policy in place	4 quarterly reports	4 Reports	4	Nil	In place	In place	
153	Committees on SCM Policy	2	2	1	NIL		In place	
154	No. of appeals upheld.	Nil	NIL	NIL	NIL	Nil	Nil	
155	No. of capacitation programmes		1	NIL	1		No procurement plan has been submitted.	
156	Capacitation of BID committees on SCM policy	Yes	Yes	Yes	Nil	Nil	Not done for committees -Chairperson of Evaluation on PALAMA training programme	
157	Procurement planning	Yes	5 plans	In place	N/A		In place	
158	SCM Performance Reporting	10	10	10	NIL	In place	1	
159	Functional Bid Committees	60 days to letter of preferred bidder	60 Days	In place	NIL	In Place	In place	
160	Turn Around Time	60 Days	60 Days	N/A	N/A	In place	In place	

KPA 4: MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT

	Measurable Strategic Objective/Output	Performance Indicator	Demand	Baseline	Backlog	COMPARISONS BETWEEN YEAR 90/10 AND 10/11 FINANCIAL YEARS		Responsible Department
						Achieved Outputs 2009/2010 Quarter 1 to Quarter 4	Achieved Outputs 2010/2011 Quarter 1 to Quarter 4	
161	% of established posts that are filled	100%	100%	N/A	N/A	Could not be detected due to Corporate Manager's absence	97% of the posts have been filled in 2010/2011	Corporate Services
162	Maintain the Organisational organogram	Date approved	10 Jun	N/A		February 2010	Organogram is in place (March 2011)	
163	% of black staff employed in management	90%	N/A	85%	N/A	90%	90%	
164	Employment Equity Plan	Yes	1	NIL	N/A	Not achieved	Plan being drafted to be submitted before set deadline - end of September 2011	
165	% Women employed by the municipality	50 % women	50%	N/A	N/A	Was in place	An achievement of 38% margin	
166	% youth employed in the Municipality	60% Youth	50%	60%	NIL	60%	29% Youth employed as ta 2011t	
167	Number of Disabled staff employed by the municipality	3%	5%	3%	2%	3%	Maintaining same percentage but intend up the percentage	
168	Number of Manuals developed	No. Manuals	1	NIL	1	Nil	Nil	
169	No. of reports generated	12 Reports	12	NIL	N/A	Nil	2 Reports generated	
170	Number of policies developed and implemented	1 Human Resources Development strategy document	1strategy	NIL	1strategy	Not Achieved	Procedure manuals are due for completion by Sept 2011	
171	% of employees who have been trained in accordance with skills development plan	Skills development plan (WSP)	1	Nil	N/A	In place	Completed and in place	
172		1%	1%	N/A	N/A	20% (Finance department)	None claimed	
173	% of municipality's budget actually spent on implementing the Work place Skills Plan	100%	100%	N/A	N/A	In place	60% budget was spent on the skills development by the year 2011	
174	Quarterly performance review report	4	4	4	NIL	Yes	None yet- Hindered by New Council momentum	

175		Staff (Individual) Performance management System in place	132	NIL	132	Not in Place	IPMS Framework is in place. Pending is the implementation process
176	No. of employees on bursary scheme	Bursary scheme/ policy for staff reviewed and implemented	2	NIL	2	No	Policy is in place, pending its implementation
177	% Budget spent	100%	100%	N/A	Nil	Nil %	109%
178	Yes/ No	Performance management system.	Yes	NO	N/A	Yes	In place
179	No. of agreements	S57 Performance Agreements	4	4	NIL	4	In place
180	Adopted Annual Report	Adopted Annual Report	31 Jan	N/A	NIL	Yes	In place
181	Date of PMS framework Adoption	Develop, implement and adopt PMS Framework	31 Mar	N/A	NIL	Yes	In place
182	Number of Reports	Strategic Performance Evaluation Reports	4	N/A	NIL	Yes	In place
183	Number of Job Descriptions	134 Documented Roles and responsibilities	132	128	4	129	129 job descriptions
184	Fleet Management policy	Fleet Management policy	1	NIL	1	NO	To be adopted by council by end of August 2011
185	Fleet Management System	1	1	NIL	1	NO	Planned to be implemented in the next year
186	% Reduction of complaints from end users	50%	100%	50%	50%	Could not be measured	Cannot be measured yet. Customer Care Services programme has just started its implementation phase
187	IT Turnaround Time	24hrs	24hrs	NIL	NIL	No, although a plan was in place	Purchase of a New Server is in process
188	Approved delegation structure.	1	1	NIL	NIL	No	Draft of the System of Delegation have been completed. Final is due in September.
189	No. of by-laws	50	50	NIL	50	Nil	Being drafted as part of Municipal administration project underway
190	A set of Municipal Bylaws promulgated and Gazetted	1	1	NIL	1 SET	Nil	Not in place

KPA 5: GOOD GOVERNANCE AND SOUND COMMUNITY PARTICIPATION

	<i>Measurable Strategic Objective/Output</i>	<i>Performance Indicator</i>	<i>Demand</i>	<i>Baseline</i>	<i>Backlog</i>	COMPARISONS BETWEEN YEAR 90/10 AND 10/11 FINANCIAL YEARS		Responsible Department
						<i>Achieved Outputs 2009/2010</i>	<i>Achieved Outputs 2010/2011</i>	
						<i>Quarter 1 to Quarter 4</i>	<i>Quarter 1 to Quarter 4</i>	
202	No. of Road Shows and Izimbizo	4	4	N/A	N/A	In place	In place and being effected accordingly	Corporate Services
203	No. of Public meetings	4	4	N/A	4	4	Not achieved	
204	No. of Ward meetings	3	12	N/A	N/A	3	Meetings are sitting accordingly	
205	No. of Council meetings	12	12	N/A	N/A	12	In place and complying	
206	Communication Strategy	Document	1 Document	NIL	1	Nil	Nil	
207	IDP Forum	1	1	N/A	N/A	In place	Achieved	Finance
208	ICT Strategy (Yes/ No)	1	Yes	Nil	N/A	No	Document still to be drafted	
209	Approved risk profile	1	1	NIL	N/A	In place	In place	
210	Risk Register	1	1	1	NIL	In place	Being updated for Information technology risks.	
211	Audit Committee Quarterly reports	4	4	4	NIL	In place	Reports are in place and ongoing	
212	Functional Audit Committee	1	Yes	Yes	Nil	In place	Audit Committee meetings are happening	MM
213	Anti-Corruption Strategy	1 Document	1	NIL	N/A	In place	In place yet not fully implemented	
214	Charter	1	1	NIL	N/A	No	In place	
215	Performance Management Framework	2 : OPMS & IPMS	2	NIL	NIL	In place	In place	
216	Periodic Reviews	4	4	2	2	In place	Are ongoing	
217	Annual Report	1	1	1	NIL	In place	In place	
218	Develop customer service framework/ implement Customer service Survey	1	1	1	NIL	Nil	Framework is in place, pending is its adoption by the Council	

2.2. SERVICE DELIVERY BACKLOGS

	01 July 2010			30 June 2011		
Service Delivery	Required	Budgeted	Actual	Required	Budgeted	Actual
<u>Realisation of the Existing Housing Projects:</u>						
<i>Middle income houses: Town</i>	59	00	59	59	00	59
<i>Low income houses: Rural</i>	1480	1440	1480	1480	1440	1440
<i>Low income houses: Urban</i>	536	536	536	536	536	536
Backlogs to be eliminated (No . of households Not Receiving Minimum Standard of Service	2075	1976	2075	2075	1976	1976
Backlogs to be eliminated (Percentage HH identified as backlogs/Total HH in Municipality)						
Spending on New infrastructure to Eliminate Backlogs (Rand 000)	00	00	00	00	00	00
Spending on Renewal of Existing Infrastructure to eliminate backlogs (Rand 000)	00	00	00	00	00	00
Total to eliminate backlogs (Rand 000)	00	00	00	00	00	00
Spending on Maintenance to Ensure No New Backlogs Created (Rand 000)	00	00	00	00	00	00
<u>Access To Basic Water and Sanitation : New Water Connections</u>						
Backlogs to be eliminated (No . of households Not Receiving Minimum Standard of Service	5561	5561	5561	5561	5561	5561
Backlogs to be eliminated (Percentage HH identified as backlogs/Total HH in Municipality)	13.6%	13.6%	13.6%	13.6%	13.6%	13.6%
Spending on New infrastructure to Eliminate Backlogs (Rand 000)	00	00	00	00	00	00
Spending on Renewal of Existing Infrastructure to eliminate backlogs (Rand 000)	00	00	00	00	00	00
Total to eliminate backlogs (Rand 000)	00	00	00	00	00	00
Spending on Maintenance to Ensure No New Backlogs Created (Rand 000)	00	00	00	00	00	00
<u>Access To Toilet Facilities</u>						
Backlogs to be eliminated (No . of households Not Receiving Minimum Standard of Service	5561	5561	5561	5561	5561	5561
Backlogs to be eliminated (Percentage HH identified as backlogs/Total HH in Municipality)	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%
Spending on New infrastructure to Eliminate Backlogs (Rand 000)	00	00	00	00	00	00
Spending on Renewal of Existing Infrastructure to eliminate backlogs (Rand 000)	00	00	00	00	00	00
Total to eliminate backlogs (Rand 000)	00	00	00	00	00	00
Spending on Maintenance to Ensure No New Backlogs Created (Rand 000)	00	00	00	00	00	00

<u>Access to electricity: New Electrical Connections:</u>						
Backlogs to be eliminated (No . of households Not Receiving Minimum Standard of Service	40.6%	R 14 657 44		40.6%	R 14 657 44	R 14 657 44
Backlogs to be eliminated (Percentage HH identified as backlogs/Total HH in Municipality)	40.6%	40.6%		40.6%	40.6%	40.6%
Spending on New infrastructure to Eliminate Backlogs (Rand 000)	?					
Spending on Renewal of Existing Infrastructure to eliminate backlogs (Rand 000)	?					
Total to eliminate backlogs (Rand 000)	R 14 657 44	R 14 657 44	R 14 657 44	R 14 657 44	R 14 657 44	R 14 657 44
Spending on Maintenance to Ensure No New Backlogs Created (Rand 000)						
<u>Access To Waste Disposal Services Weekly Waste Disposal Services</u>						
Backlogs to be eliminated (No . of households Not Receiving Minimum Standard of Service	6%	6%	6%			
Backlogs to be eliminated (Percentage HH identified as backlogs/Total HH in Municipality)	6%					
Spending on New infrastructure to Eliminate Backlogs (Rand 000)	00					
Spending on Renewal of Existing Infrastructure to eliminate backlogs (Rand 000)	00					
Total to eliminate backlogs (Rand 000)	?					
Spending on Maintenance to Ensure No New Backlogs Created (Rand 000)						
<u>Roads and Storm Water::</u>						
<u>Patch 46km of Mpofana Tar and 32.5 Gravel roads</u>						
Backlogs to be eliminated (No . of households Not Receiving Minimum Standard of Service	18km	R1 585 79	18 km	18km	R1 585 79	18km
Backlogs to be eliminated (Percentage HH identified as backlogs/Total HH in Municipality)	18km					
Spending on New infrastructure to Eliminate Backlogs (Rand 000)	00					
Spending on Renewal of Existing Infrastructure to eliminate backlogs (Rand 000)	00					
Total to eliminate backlogs (Rand 000)	R1 585 79	R1 585 79	R1 585 79	R1 585 79	R1 585 79	R1 585 79
Spending on Maintenance to Ensure No New Backlogs Created (Rand 000)						
<u>Patch 32.5 km of the Mpofana Gravel Roads</u>						
Backlogs to be eliminated (No . of households Not Receiving Minimum Standard of Service	13km	R1 585 79	R1 585 79	R1 585 79	R1 585 79	R1 585 79
Backlogs to be eliminated (Percentage HH identified as backlogs/Total HH in Municipality)	13km	13km	13km	13km	13km	13km
Spending on New infrastructure to Eliminate Backlogs (Rand 000)	00	00	00	00	00	00
Spending on Renewal of Existing Infrastructure to eliminate backlogs (Rand 000)	00	00	00	00	00	00
Total to eliminate backlogs (Rand 000)						
Spending on Maintenance to Ensure No New Backlogs Created (Rand 000)						

<u>Create Speed Humps</u>	R1 585 79	R1 585 79	R1 585 79	R1 585 79	R1 585 79	R1 585 79
Backlogs to be eliminated (No . of households Not Receiving Minimum Standard of Service						
Backlogs to be eliminated (Percentage HH identified as backlogs/Total HH in Municipality)	24	24	24	24	24	24
Spending on New infrastructure to Eliminatwe Backlogs (Rand 000)	100%	100%	100%	100%	100%	100%
Spending on Renewal of Existing Infrastructure to eliminate backlogs (Rand 000)	00	00	00	00	00	00
Total to eliminate backlogs (Rand 000)	00	00	00	00	00	00
Spending on Maintenance to Ensure No New Backlogs Created (Rand 000)						
	R1 58 579	R1 58 579	R1 58 579	R1 58 579	R1 58 579	R1 58 579
<u>New community and public facilities</u>						
<u>Develop Botanical Gardens</u>						
Backlogs to be eliminated (No . of households Not Receiving Minimum Standard of Service						
Backlogs to be eliminated (Percentage HH identified as backlogs/Total HH in Municipality)	1	1	1	1	1	1
Spending on New infrastructure to Eliminatwe Backlogs (Rand 000)	1	1	1	1	1	1
Spending on Renewal of Existing Infrastructure to eliminate backlogs (Rand 000)	00	00	00	00	00	00
Total to eliminate backlogs (Rand 000)	00	00	00	00	00	00
Spending on Maintenance to Ensure No New Backlogs Created (Rand 000)						
	R0.00	00	00	00	00	00
<u>Develop Combo Courtss</u>						
Backlogs to be eliminated (No . of households Not Receiving Minimum Standard of Service						
Backlogs to be eliminated (Percentage HH identified as backlogs/Total HH in Municipality)	1	1	1	1	1	1
Spending on New infrastructure to Eliminatwe Backlogs (Rand 000)	1	1	1	1	1	1
Spending on Renewal of Existing Infrastructure to eliminate backlogs (Rand 000)	00	00	00	00	00	00
Total to eliminate backlogs (Rand 000)	00	00	00	00	00	00
Spending on Maintenance to Ensure No New Backlogs Created (Rand 000)						
	R0.00	00	00	00	00	00
<u>Upgrade of Community and public facilities.</u>						
<u>Maintain community 4 halls</u>						
Backlogs to be eliminated (No . of households Not Receiving Minimum Standard of Service						
Backlogs to be eliminated (Percentage HH identified as backlogs/Total HH in Municipality)	4	4	4	4	4	4
Spending on New infrastructure to Eliminatwe Backlogs (Rand 000)	100%	100%	100%	100%	100%	100%
Spending on Renewal of Existing Infrastructure to eliminate backlogs (Rand 000)	00	00	00	00	00	00
Total to eliminate backlogs (Rand 000)	00	00	00	00	00	00

Spending on Maintenance to Ensure No New Backlogs Created (Rand 000)	R50 941	R50 941	R50 941	R50 941	R50 941	R50 941
<u>Maintain community 2 Librariess</u>						
Backlogs to be eliminated (No . of households Not Receiving Minimum Standard of Service	2	R31 580	2	2	R31 580	2
Backlogs to be eliminated (Percentage HH identified as backlogs/Total HH in Municipality)	100%	100%	100%	100%	100%	100%
Spending on New infrastructure to Eliminatwe Backlogs (Rand 000)	00	00	00	00	00	00
Spending on Renewal of Existing Infrastructure to eliminate backlogs (Rand 000)	00	00	00	00	00	00
Total to eliminate backlogs (Rand 000)						
Spending on Maintenance to Ensure No New Backlogs Created (Rand 000)	R31 580	R31 580	R31 580	R31 580	R31 580	R31 580
<u>A total number of 5 Mig projects registered</u>						
Backlogs to be eliminated (No . of households Not Receiving Minimum Standard of Service	4	5	4	4	5	4
Backlogs to be eliminated (Percentage HH identified as backlogs/Total HH in Municipality)	4	4	4	4	4	4
Spending on New infrastructure to Eliminatwe Backlogs (Rand 000)	00	00	00	00	00	00
Spending on Renewal of Existing Infrastructure to eliminate backlogs (Rand 000)	00	00	00	00	00	00
Total to eliminate backlogs (Rand 000)						
Spending on Maintenance to Ensure No New Backlogs Created (Rand 000)	R0.00	00	00	00	00	00
<u>Street Naming Programme</u>						
Backlogs to be eliminated (No . of households Not Receiving Minimum Standard of Service	24	00	24	24	00	24
Backlogs to be eliminated (Percentage HH identified as backlogs/Total HH in Municipality)	24	24	24	24	24	24
Spending on New infrastructure to Eliminatwe Backlogs (Rand 000)	00	00	00	00	00	00
Spending on Renewal of Existing Infrastructure to eliminate backlogs (Rand 000)	00	00	00	00	00	00
Total to eliminate backlogs (Rand 000)						
Spending on Maintenance to Ensure No New Backlogs Created (Rand 000)	R0.00	00	00	00	00	00
Upgrade of Land and Buildings:						
<u>Upgrade of the Old Clinic Building</u>						
Backlogs to be eliminated (No . of households Not Receiving Minimum Standard of Service	1	00	1	1	00	1
Backlogs to be eliminated (Percentage HH identified as backlogs/Total HH in Municipality)	1	1	1	1	1	1
Spending on New infrastructure to Eliminatwe Backlogs (Rand 000)	00	00	00	00	00	00
Spending on Renewal of Existing Infrastructure to eliminate backlogs (Rand 000)	00	00	00	00	00	00
Total to eliminate backlogs (Rand 000)						
Spending on Maintenance to Ensure No New Backlogs Created (Rand 000)			R0.00	R0.00		

2.3 Building and Zoning Plans

Applications outstanding 1 July 2010	Category	Number of new applications received 2010/2011	Total value of applications	Applications outstanding 30 June 2011
Nil	Residential New	28	R236 250	15
Nil	Residential Additions	16	R26 150	Nil
Nil	Commercial	0	0	Nil
Nil	Industrial	2	R5 000	Nil
Nil	Other	2	R3000	

2.4 Revenue Collection Levels

Month	Debits	Credits	% recovery 2010/2011	% recovery 2009/2010	% recovery 2008/2009	% recovery 2007/2008
July 10	4 646 964.65	4 888 129.11	105	19	39	26
Aug 10	3 596 998.57	2 503 300.63	70	20	22	50
Sep 10	5 069 159.67	1 926 035.55	38	249	39	23
Oct 10	5 338 406.29	2 350 861.45	44	18	43	70
Nov 10	3 756 604.88	2 583 363.51	69	41	41	32
Dec 10	4 352 340.47	1 156 785.75	27	72	54	44
Jan 11	3 204 217.42	2 606 764.67	81	76	20	37
Feb 11	4 715 208.63	2 190 431.73	-32	38	21	72
Mar 11	4 970 181.96	3 795 897.77	76	191	13	79
Apr 11	4 328 263.63	2 056 332.41	48	147	41	54
May 11	6 505 293.40	3 052 269.85	47	82	67	50
June 11	4 995 010.67	669 367.92	13	89	55	48
TOTAL	43 919 965.28	29 779 540.35	68	75	38	49

The collecting rate for the 2010/2011 is 54% which is a decreased performance from the 2009/2010 rate of 75%. This has been largely due to the vacancy in the credit control unit, which the municipality experienced during the financial year reported on. The tariff dispute with the Tau Uan Textile still causes the debits raised to be above what would be collected in credits. The dispute is expected to be resolved in the 2011/2012 tariff application for the 2012/2013 budget year.

Table 2.5 Services Age Analysis Summary Per Monthggy

	Current	Previous	30 Days	60 Days	90 Days +	Debits	Credits	Net
July 10	1 633 914.78	4 863 618.91	8 804 063.57	1 295 712.38	73 263 786.76	89 861 096.40	(2 638 325.35)	87 222 771.05
Aug 10	-	5 913 674.55	4 392 318.95	8 632 555.97	72 146 667.52	91 085 216.99	(2 631 858.81)	88 453 358.18
Sep 10	-	4 795 003.17	5 420 181.53	4 257 205.08	78 439 406.37	92 911 796.15	(2 339 814.93)	90 571 981.22
Oct 10	7 149.32	4 253 672.20	4 436 421.96	5 250 338.48	63 412 464.55	77 360 046.51	(2 472 418.63)	74 887 627.88
Nov 10	-	4 635 254.43	4 048 461.57	4 284 201.97	69 009 574.94	81 977 492.91	(2 473 639.76)	79 503 853.15
Dec 10	-	4 309 750.87	4 328 342.43	3 857 998.58	71 258 895.04	83 754 986.92	(2 515 790.22)	81 239 196.70
Jan 11	4 385.30	3 164 501.76	4 021 618.54	4 160 463.49	74 570 500.55	85 921 469.64	(2 563 070.02)	83 358 399.62
Feb 11	-	4 608 074.62	2 784 245.95	3 793 797.20	66 160 373.67	77 346 491.44	(3 444 750.88)	73 901 740.56
Mar 11	-	10 326 962.04	3 723 742.58	2 650 656.43	68 055 457.82	84 756 818.87	(2 591 202.79)	82 165 616.08
Apr 11	-	4 406 741.68	9 704 293.72	3 499 917.11	69 100 759.93	86 711 712.44	(3 941 769.50)	82 769 942.94
May 11	-	5 108 254.65	5 870 317.50	6 204 376.11	67 979 623.18	85 162 571.44	(2 056 332.41)	83 106 239.03
June11		4 995 010.67	3 628 720.11	5 272 641.32	72 213 002.72	86 109 374.82	(3 052 269.85)	83 057 104.97

The net debtors show an increase from R89.8m to R86.1m from July 2010 to June 2011 due to a declining collection rate which is 54% for the same period. The outstanding debtors for 30 days have been reduced from R8.8m to R3.6m during the year which is an indication of an improvement in monthly collection.

Table: 2.6

Arrears Owed By Individual Councilors To The Municipality	
Cllr Mthemthwa (In respect of services)	R 17916.84
Cllr Mpangase (In respect of the difference between the deputy Mayor salary and an ordinary councilor package)	R 302 941

CHAPTER 3:

Human Resources and Other Organizational Management

3.1 Political Leadership



Her Worship: Mayor N.J. Mpangase



Cllr X M Duma (ANC Ward 1)



Cllr A.Z. Dladla (ANC Ward 2)



Cllr J.S. Shabalala (ANC Ward 3)



Cllr B.A. Mhlanzi (ANC Ward 4)



PR Cllr K. Dennyschen (DA)



PR Cllr S.Y. Mhlongo (IFP)

3.2 Administrative Team

3.2.1 The Office of the Municipality Manager

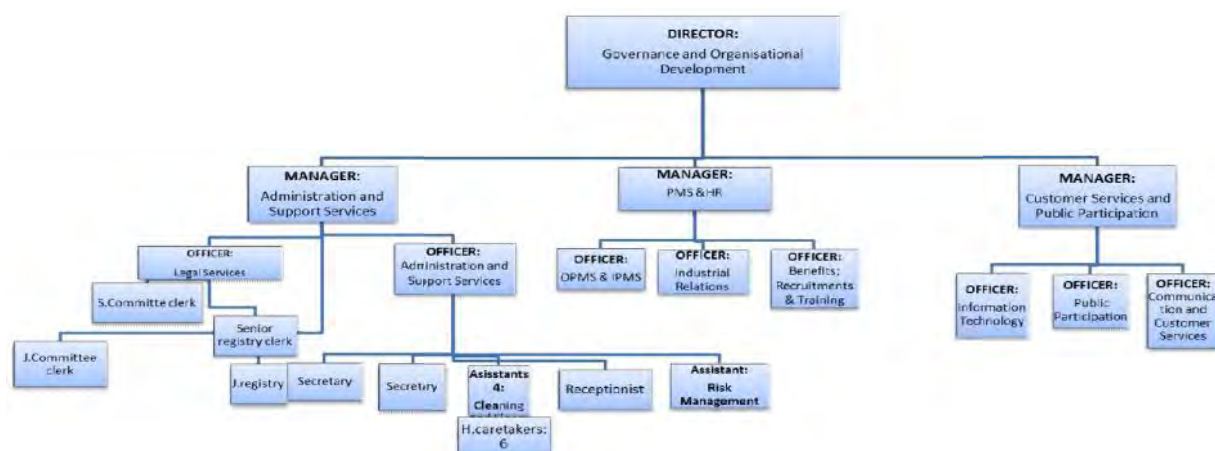


Municipal Manager - Mr. MA Madlala

The following are the key strategic issues of the Office of the Municipal Manager:

- The formation and development of an economical, effective, efficient and accountable administration,
- The management of the municipality's administration in accordance with the legislation applicable to the municipality,
- The implementation of the municipality's integrated development plan,
- The management of the provision of services to the local community in a sustainable and equitable manner,
- Manage the communications between the municipality administration and its political structures,
- Carry out the decisions of the structures and functions of the municipality,
- To administer and implement the municipal By-laws and other legislation,
- Implement national and provincial legislation applicable to the municipality, and
- Internal Audit and Risk Management.

3.2.2 Department: Governance and Organisational Development



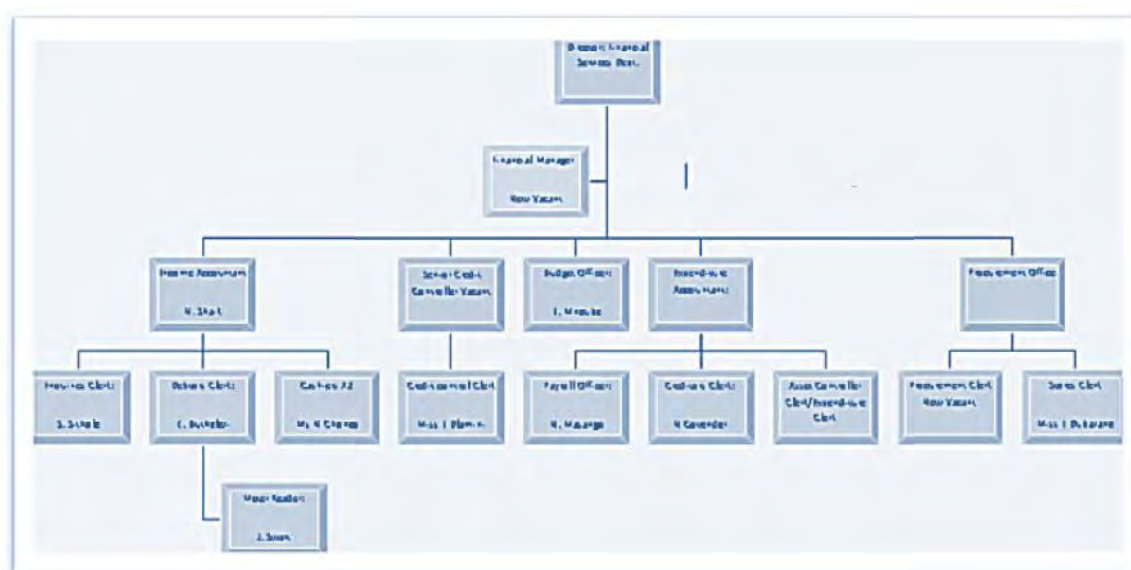
The following are the key strategic issues of the Corporate Services Department:

- Human Resources Management and Development
- Compliance with legislation
- Enforcing by-laws
- Road Safety Traffic management
- Disaster management
- Offices and buildings maintenance
- Hall Bookings
- Events Management and Communication Strategy
- Management of Ward Committees
- Fleet Management
- Information and Communication Technology Administration
- Support the mayoralty and council activities

Occupational Category	Males				Females				Totals
	A	C	I	W	A	C	I	W	
Managers	0	0	1	0	0	0	0	0	1
Vacant positions	3	0	0	0	0	0	0	0	3
Skilled	2	0	1	1	3	0	0	1	8
Semi-skilled Clerks	6	0	2	0	4	1	1	0	14
Unskilled	0	0	0	0	0	0	0	0	0
Grand Total	17	0	3	1	9	1	1	1	33

Employment Equity Statistics

3.2.3 Finance Services Department



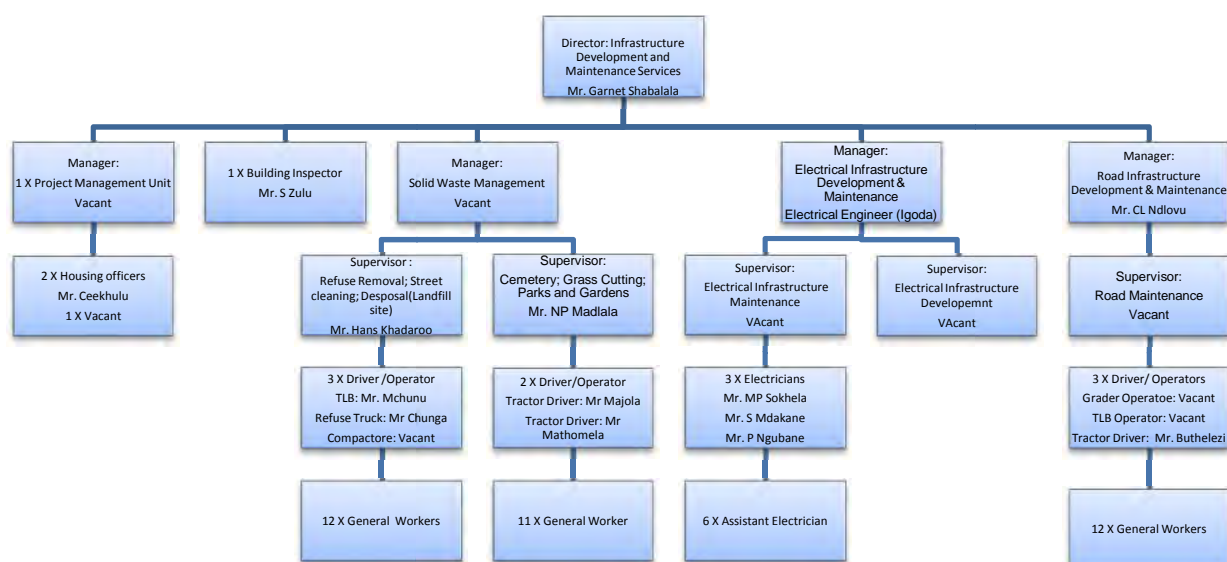
The main aim of the financial services department is to provide effective and efficient financial management support services to other Departments which include the following:

- Financial planning and reporting
- Design and implementation of internal controls
- Development of financial policies
- Maintenance of financial records
- Revenue collection
- Supply chain management
- Management of Municipal Stores
- Financial Interns Development
- MFMA Compliance
- Payroll administration

Occupational Category	Males				Females				Totals
	A	C	I	W	A	C	I	W	
Managers	0	0	0	0	1	0	0	0	1
Vacant positions	4	0	0	0	0	0	0	0	4
Skilled	0	0	0	0	1	0	0	1	2
Semi-skilled Clerks	1	0	2	0	7	1	0	0	11
Unskilled	0	0	0	0	0	0	0	0	0
Grand Total	5	0	2	0	8	1	0	1	17

Employment Equity Statistics

3.2.4 Department: Infrastructure Development and Maintenance Services

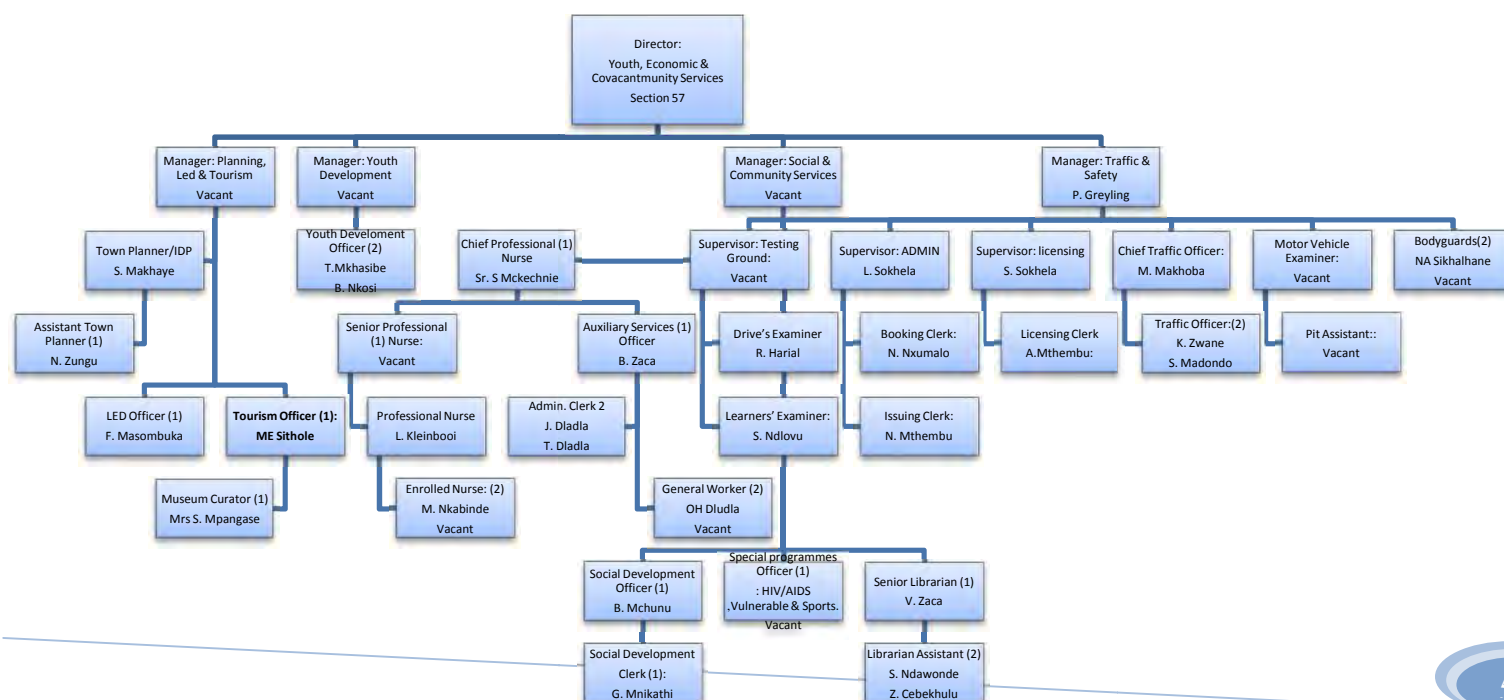


The following are the key strategic issues of the Technical Services Department:

- Provision of Basic Services.
- Mobilisation of resources to continuously improve the level and quality of service delivery
- Roads
- Electricity
- Waste Management
- Public Facilities
- Stormwater Drainage
- Construction management
- Infrastructure Planning

Occupational Category	Males				Females				Totals
	A	C	I	W	A	C	I	W	
Managers	0	0	0	0	0	0	0	0	1
Vacant positions	7	0	0	0	0	0	0	0	7
Skilled	7	0	1	0	0	0	0	0	8
Technical Support/ Consultants	1	0	0	1	0	0	0	0	2
emi-skilled Clerks	0	0	2	0	0	0	0	0	2
Unskilled	20	0	0	0	4	0	0	0	20
Totals	45	0	3	1	0	0	0	0	49

3.2.5 Youth Economic and Community Services



The main objectives of the Social, Economic & Planning Services Department are as follows:

- To create and ensure a conducive environment for Economic Growth and Development
- To promote and ensure coordinated land use planning and management
- To identify specific development activities to empower women, in particular rural women
- To ensure development of the Youth Development Strategy
- To ensure access to quality primary health care
- To ensure improved and adequate access to educational facilities
- To ensure all communities have access to basic community facilities
- To promote sound Environmental Management practices
- To ensure adequate access to proper housing for all
- To promote access to arts and culture opportunities
- To facilitate the provision and easy access to sports and recreational facilities
- To encourage participation in sporting codes for development

Occupational Category	Males				Females				Totals
	A	C	I	W	A	C	I	W	
Managers	1	0	0	0	0	0	0	0	1
Vacant positions	5	0	0	0	0	0	0	0	5
Skilled	4	0	0	0	4	0	0	3	11
Semi-skilled Clerks	3	0	0	0	2	0	0	0	5
Unskilled	0	0	0	0	0	0	0	0	0
Grand Total	13	0	0	0	6	0	0	3	22

Employment Equity Statistics



CHAPTER 4

AUDITED STATEMENTS AND RELATED FINANCIAL INFORMATION

Annual Financial Statements by Chief Financial Officer

Mpofana Municipality

Annual Financial Statements for the year ended 30 June 2011

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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Statement of Financial Performance	8
Statement of Changes in Net Assets	9
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The following supplementary information does not form part of the annual financial statements and is unaudited:

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Mpofofana Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP).

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2012 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the income from services, rates and grants for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the council has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 4.

We draw attention to the fact that the municipality had a deficits of R 3,426,888 as at 30 June 2011 and R 43,543,290 as at 30 June 2010.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

There is a financial turn around strategy which has been approved by council. This will be in effect in the next eight months. The Financial turn around strategy aims to prioritize the following:


1. Revenue maximization
2. Revenue protection
3. Cost recovery on tariffs
4. Disposal of underutilized assets
5. Prioritization of economic development
6. Reduction in non critical expenditure and an increase on key service delivery expenditure.

The annual financial statements set out on pages 6 to 45, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2011 and were signed on its behalf by:

Mpofana Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Officer's Responsibilities and Approval



Accounting Officer

REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE COUNCIL ON MPOFANA MUNICIPALITY REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Mpoofana Municipality, which comprise the statement of financial position as at 30 June 2011, the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory information as set out on pages **xxi to xxi**.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2010 (Act No. 1 of 2010) (DORA), and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on the financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and *General Notice No. 1111 of 2010* issued in *Government Gazette No. 33872 of 15 December 2010*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipality's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

7. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Mpoofana Municipality as at 30 June 2011, and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the MFMA and DORA.

Emphasis of matters

8. I draw attention to the matters below. My opinion is not modified in respect of these matters:

Restatement of corresponding figures

9. As disclosed in note 40 to the financial statements, the corresponding figures for debtors, investment property, unspent conditional grants and revenue for 2009-2010 have been restated as a result of errors discovered during 2010-2011 financial year.

Material losses

10. As disclosed in note 49 to the financial statements, electricity losses amounting to R4,442 million were incurred as a result of electricity distribution losses within the network infrastructure.

Additional matter

11. I draw attention to the matter below. My opinion is not modified in respect of this matter:

Unaudited supplementary schedules

12. The supplementary information set out on pages **xx to xx** does not form part of the financial statements and is presented as additional information. I have not audited these schedules, and, accordingly I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

13. In accordance with the PAA and in terms of *General Notice No. 1111 of 2010*, issued in *Government Gazette No. 33872 of 15 December 2010*, I include below my findings on the annual performance report as set out on pages **xx to xx** and material non-compliance with laws and regulations applicable to the municipality.

Predetermined objectives

14. There were no material findings on the annual performance report.

Compliance with laws and regulations

Annual financial statements

15. The financial statements submitted for audit did not comply with section 122 (1) (a) of the MFMA as material misstatements were identified during the audit, which were corrected by management.

INTERNAL CONTROL

16. In accordance with the PAA and in terms of *General Notice No. 1111 of 2010*, issued in *Government Gazette No. 33872 of 15 December 2010*, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the findings on compliance with laws and regulations included in this report.

Leadership

17. Timely action plans were not developed and monitored to address internal control deficiencies with respect to compliance with laws and regulations relevant to financial reporting.

Financial and performance management

18. The design and implementation of the municipality's internal control systems were inadequate in monitoring and ensuring effective compliance with laws and regulations. The financial statements were not adequately reviewed for completeness and accuracy prior to submission for audit, thus necessitating material audit amendments.

Auditor-General

Pietermaritzburg

30 November 2011



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

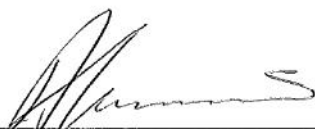
Mpofana Municipality

Annual Financial Statements for the year ended 30 June 2011

Approval of Annual Financial Statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 6 to 39, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 25 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Municipal Manager:
August 31, 2011

Mpofofana Municipality

Annual Financial Statements for the year ended 30 June 2011

Statement of Financial Position

Figures in Rand	Note(s)	2011	2010
Assets			
Current Assets			
Inventories	9	105,511	37,326
VAT receivable	17	608,791	145,751
Other receivables	10	302,941	262,240
Prepayments	6	834,301	762,185
Consumer debtors	11	30,295,777	29,304,157
Financial assets - Investments	7	17,595,510	22,069,108
Loans and receivables	8	321,535	137,663
Cash and cash equivalents	12	12,663	258,139
		50,077,029	52,996,568
Non-Current Assets			
Investment property	2	5,335,395	5,335,395
Property, plant and equipment	3	39,242,523	35,654,793
Intangible assets	4	108,466	93,911
Loans and receivables	8	8,884	192,766
		44,695,268	41,276,855
Total Assets		94,772,297	94,273,423
Liabilities			
Current Liabilities			
Finance lease obligation	13	1,081,993	360,858
Trade and other payables from exchange transactions	18	8,968,055	8,032,712
Consumer deposits	19	357,528	373,783
Unspent conditional grants and receipts	14	17,462,464	17,791,289
Provisions	15	9,264,565	8,971,738
Short term portion of long term liabilities	16	125,158	156,173
Bank overdraft	12	1,292,934	399,395
		38,552,697	36,085,948
Non-Current Liabilities			
Finance lease obligation	13	4,127,886	1,134,413
Annuity loan	16	206,004	331,162
		4,333,890	1,465,575
Total Liabilities		42,886,587	37,551,523
Net Assets		51,885,710	56,721,900
Net Assets			
Accumulated surplus		51,885,710	56,721,900

Mpofofana Municipality

Annual Financial Statements for the year ended 30 June 2011

Statement of Financial Performance

Figures in Rand	Note(s)	2011	2010
Revenue	20	81,421,433	81,911,434
Other income	24	294,821	931,194
Operating expenses		(89,372,036)	(115,073,857)
Operating deficit		(7,655,782)	(52,231,229)
Investment revenue	28	5,417,918	8,985,757
Loss on sale/disposal of assets		(39,422)	(100,230)
Finance costs	31	(1,149,602)	(197,588)
Deficit for the year		(3,426,888)	(43,543,290)

Mpofofana Municipality

Annual Financial Statements for the year ended 30 June 2011

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2009	73,259,931	73,259,931
Changes in net assets		
Correction of previous misstatements	25,339,515	25,339,515
Net income (losses) recognised directly in net assets	25,339,515	25,339,515
Deficit for the year	(44,366,442)	(44,366,442)
Total recognised income and expenses for the year	(19,026,927)	(19,026,927)
Total changes	(19,026,927)	(19,026,927)
Opening balance as previously reported	54,233,004	54,233,004
Adjustments		
Correction of error (refer note 40)	2,488,896	2,488,896
Balance at 01 July 2010 as restated	56,721,900	56,721,900
Changes in net assets		
Reversal of adjustments	(1,409,302)	(1,409,302)
Net income (losses) recognised directly in net assets	(1,409,302)	(1,409,302)
Deficit for the year	(3,426,888)	(3,426,888)
Total recognised income and expenses for the year	(4,836,190)	(4,836,190)
Total changes	(4,836,190)	(4,836,190)
Balance at 30 June 2011	51,885,710	51,885,710

Mpofofana Municipality

Annual Financial Statements for the year ended 30 June 2011

Cash Flow Statement

Figures in Rand	Note(s)	2011	2010
Cash flows from operating activities			
Cash receipts from customers		79,113,326	69,218,794
Cash paid to suppliers and employees		(84,542,957)	(53,549,867)
Cash (used in) generated from operations	36	(5,429,631)	15,669,127
Interest income		5,417,918	8,995,463
Finance costs		(446,494)	(197,588)
Net cash from operating activities		(458,207)	24,467,002
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(8,383,792)	(22,256,556)
Sale of property, plant and equipment	3	68,432	98,077
Purchase of intangible assets	4	(52,399)	(104,060)
Sale of financial assets - investments		4,473,598	4,367,188
Decrease in loans and receivables		-	118,065
Decrease/(Increase) in government grants		(328,825)	(3,508,057)
Net cash from investing activities		(4,222,986)	(21,285,345)
Cash flows from financing activities			
Decrease in annuity loan		(156,173)	(134,149)
(Decrease)/Increase in consumer deposits		(16,255)	148,218
Increase in finance lease obligation		3,714,607	1,025,551
Net cash from financing activities		3,542,179	1,039,620
Net increase (decrease) in cash and cash equivalents		(1,139,014)	4,221,277
Cash at the beginning of the year		(141,257)	(4,362,534)
Net cash and cash equivalents at the end of the period	12	(1,280,271)	(141,257)

Mpofofana Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) - including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

Mpofofana Municipality is situated in KwaZulu Natal in South Africa.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period, unless otherwise stated.

In adopting GRAP in the year ended 30 June 2010, the municipality took advantage of certain transitional provisions of Directive 4 which are available to low capacity municipalities. The application of these transitional provisions is detailed in each policy to which the Directive applies.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables and loans and receivables

The municipality assesses its trade receivables and loans and receivables for impairment at the end of each reporting date. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Mpozana Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Directive 4

As allowed by the transitional provisions included in Directive 4, the following asset classes have not been measured in accordance with the relevant GRAP standards for the year ended June 30, 2011:

Inventories	(GRAP 12)
Property, plant and equipment	(GRAP 17)
Intangible assets	(GRAP 102)

Management has estimated provisional amounts for each of these asset classes which are included in the statement of financial position. These amounts are subject to change once the measurement process has been completed, which is expected to occur by June 30, 2012.

Standards, amendments to standards and interpretations issued but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18 Segment reporting
 GRAP 20 Related Party disclosures
 GRAP 25 Employee benefits
 GRAP 104 Financial instruments
 GRAP 105 Transfer of functions between entities under common control
 GRAP 106 Transfer of functions between entities not under common control
 GRAP 107 Mergers

The municipality has not applied the above accounting statements and interpretations that have been issued but are not yet effective. These will be applied by the municipality when they become effective.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite

Mpofoana Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.2 Investment property (continued)

Transitional provision

According to the transitional provision per Directive 4, the municipality is not required to measure investment property for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Investment property. Investment property has accordingly been recognised at provisional amounts, as disclosed in 2. The transitional provision expires on 30 June 2012.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- It is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Cost includes costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated and impairment losses.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets.

Item	Average useful life
Buildings	5 - 25 years
Infrastructure	
• Electricity	3 - 30 years
• Roads	3 - 40 years
• Solid Waste disposal	10 years
• Cemeteries	10 - 25 years
Other property, plant and equipment	
• Machinery and equipment	3- 10 years
• Furniture and equipment	3 - 5 years
• Computer equipment	3 - 5 years
• Transport	4 - 5 years
Finance lease assets	
• Office equipment	5 years
• Transport	3 - 5 years
Landfill site	5 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each financial period end.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is

Mpošana Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.3 Property, plant and equipment (continued)

depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Transitional provision

The municipality changed its accounting policy for property, plant and equipment when it adopted GRAP in 2010. The change in accounting policy was made in accordance with its transitional provision as per Directive 4 (available to low capacity municipalities) of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure property, plant and equipment for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Property, plant and equipment. Property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in the relevant note. The transitional provision expires on 30 June 2012.

1.4 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in surplus or deficit.

1.5 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Mpofofana Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.5 Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at every period-end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	2 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

Mpofofana Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.5 Intangible assets (continued)

Transitional provision

The municipality changed its accounting policy for intangible assets when it adopted GRAP in 2010. The change in accounting policy was made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure intangible assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Intangible assets. Intangible Assets has accordingly been recognised at provisional amounts, as disclosed in the relevant note. The transitional provision expires on 30 June 2012.

1.6 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition.

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments. Financial instruments are initially recognised at fair value.

Transaction costs are included in the initial measurement of the instrument.

Subsequent measurement

Loans and receivables and consumer debtors are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Loans to employees

These financial assets are classified as loans and receivables.

Trade and other receivables

Trade and other receivables are classified as loans and receivables.

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. An estimate is made for doubtful receivables based on a review of all outstanding amounts at reporting date. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to surplus or deficit.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Mpofofana Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.6 Financial instruments (continued)

Cash and cash equivalents

The municipality classifies cash and cash equivalents as loans and receivables. Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash and cash equivalents are initially recorded at fair value and subsequently recorded at amortised cost as a loan receivable.

Investments

The municipality has investments that comprise of call accounts, money market investment accounts. These are treated as loans and receivables and are initially recorded at fair value and subsequently recorded at amortised cost.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
 - has transferred substantially all the risks and rewards of the asset, or
 - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

Impairment of financial assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are

Mpošana Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.6 Financial instruments (continued)

individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in the statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Any contingent rents are expensed in the period in which they are incurred.

1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value on the first-in-first-out basis.

The amount of any write-down of inventories arising from a change in net realisable value is recognised in the statement of Financial Performance.

The cost of inventories comprises of all costs of purchase.

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Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.8 Inventories (continued)

Transitional provision

The municipality changed its accounting policy for inventories when it adopted GRAP in 2010. The change in accounting policy was made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure inventories for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Inventories. Inventories has accordingly been recognised at provisional amounts, as disclosed in the relevant note. The transitional provision expires on 30 June 2012.

1.9 Impairment of non-cash-generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit on a pro-rata basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.10 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

Mpofofana Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.10 Employee benefits (continued)

Retirement benefits

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Other post retirement obligations

The municipality provides post-retirement health care benefits upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

1.11 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the financial period end.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the relevant notes to the financial statements.

1.12 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts, volume rebates and value-added taxes (VAT).

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.12 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at statement of financial position date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Contract revenue comprises:

- the initial amount of revenue agreed in the contract; and
- variations in contract work, claims and incentive payments:
 - to the extent that it is probable that they will result in revenue; and
 - they are capable of being reliably measured.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- the amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.13 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

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Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.13 Revenue from non-exchange transactions (continued)

Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

Donations are measured at the fair value of the consideration received or receivable when the amount of the revenue can be measured reliably.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.14 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

1.15 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.16 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

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Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.17 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.19 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.20 Presentation of currency

These annual financial statements are presented in South African Rand.

1.21 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.22 Housing subsidies

The municipality provides post-retirement housing subsidies for qualifying staff members. The payment of these subsidies is reflected as expenditure in the statement of financial performance.

1.23 Gratuities

The municipality provides gratuities for qualifying staff members in terms of the relevant conditions of employment. The expenditure is recognised in the statement of financial performance when the gratuity is paid.

1.24 Going concern assumption

The financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

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Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand

2011 2010

2. Investment property

	2011			2010		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	5,335,395	-	5,335,395	5,335,395	-	5,335,395

Reconciliation of investment property - 2011

	Opening balance	Total
Investment property	5,335,395	5,335,395

Reconciliation of investment property - 2010

	Opening balance	Other changes, movements	Total
Investment property	290,295	5,045,100	5,335,395
Fair value of investment properties	17,286,400		17,286,400

A register containing the information required by section 83 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

3. Property, plant and equipment

	2011			2010		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	589,286	-	589,286	589,286	-	589,286
Buildings	8,159,425	(4,112,683)	2,046,742	8,159,425	(3,768,276)	2,391,149
Infrastructure	62,316,446	(39,763,320)	22,553,126	61,497,444	(37,970,962)	23,526,482
Other property, plant and equipment	5,913,372	(3,560,487)	2,352,885	5,033,974	(2,980,534)	2,053,440
Capital work in progress	2,514,377	-	2,514,377	54,000	-	54,000
Finance lease assets	5,991,744	(1,024,287)	4,967,457	2,137,181	(721,611)	1,415,570
Landfill site	7,031,082	(2,812,432)	4,218,650	7,031,082	(1,406,216)	5,624,866
Total	90,515,732	(51,273,209)	39,242,523	82,502,392	(46,847,599)	35,654,793

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Impairment loss	Total
Land	589,286	-	-	-	-	-	589,286
Buildings	2,391,149	-	-	-	(343,330)	(1,077)	2,046,742
Infrastructure	23,526,482	819,002	-	-	(1,242,797)	(549,561)	22,553,126
Other property, plant and equipment	2,053,440	787,802	-	91,596	(579,779)	(174)	2,352,885
Capital work in progress	54,000	2,514,377	-	(54,000)	-	-	2,514,377
Finance lease assets	1,415,570	4,262,611	(107,854)	-	(802,870)	-	4,967,457
Landfill site	5,624,866	-	-	-	(1,406,216)	-	4,218,650
Total	35,654,793	8,383,792	(107,854)	37,596	(4,174,992)	(550,812)	39,242,523

Mpofofana Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand 2011 2010

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	879,580	-	-	(290,294)	-	-	-	58
Buildings	2,943,599	-	-	-	-	(508,981)	(43,489)	2,39
Infrastructure	38,315,593	13,297,550	-	-	37,800	(2,238,566)	(25,885,895)	23,52
Other property, plant and equipment	1,427,840	597,877	(98,077)	-	881,173	(754,065)	(1,308)	2,05
Capital work in progress	54,000	-	-	-	-	-	-	5
Finance lease assets	448,231	1,330,047	-	-	-	(362,708)	-	1,41
Landfill site	-	7,031,082	-	-	-	(1,406,216)	-	5,62
	44,068,843	22,256,556	(98,077)	(290,294)	918,973	(5,270,536)	(25,930,672)	35,65

The municipality has taken advantage of the transitional provisions of Directive 4 which are available to low capacity municipalities.

Property, plant and equipment have therefore not been measured in accordance with GRAP 17 or the accounting policy above. A "provisional" amount has been determined by management, which will be used until the GRAP 17 measurement process is completed. It is anticipated that this process will be completed by June 30, 2012, as required by Directive 4.

Mpofofana Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand

2011 2010

4. Intangible assets

	2011			2010		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	194,932	(86,466)	108,466	142,533	(48,622)	93,911

Reconciliation of intangible assets - 2011

	Opening balance	Additions	Amortisation	Total
Computer software	93,911	52,399	(37,844)	108,466

Reconciliation of intangible assets - 2010

	Opening balance	Additions	Other changes, movements	Amortisation	Total
Computer software	17,938	104,060	(2,154)	(25,933)	93,911

The municipality has taken advantage of the transitional provisions of Directive 4 which are available to low capacity municipalities.

Intangible assets have therefore not been measured in accordance with GRAP 102 or the accounting policy above. A "provisional" amount has been determined by management, which will be used until the GRAP 102 measurement process is completed. It is anticipated that this process will be completed by June 30, 2012, as required by Directive 4.

5. Retirement benefits

Certain councillors and certain employees belong to defined benefit plan of the Natal Joint Superannuation and Retirement funds and the Municipal councillors pension fund. Employees make up less than 1% of the total members of the funds. In these funds it could not be determined the amounts owing mainly to the assets not being allocated to each municipality and one set of financials being prepared for each fund and not per municipality. These funds are subject to a triennial actuarial valuation. The last valuation was performed in 2005.

Current years contribution	2,425 027	1,819 075
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SUPERANNUATION FUND

The actuarial value of total assets was R 121,7 million more than the actuarial value of liabilities for service of members to that date and for pensioners, made up as follows:

- surplus of R210 million in respect of pensioners (funding level 119,4%)
- deficit of R88,3 million in respect of members (funding level 95%)
- the fund was thus 104,3% funded
- the fund did not hold an investment reserve
- the total contribution rate payable, including the surcharge by and on behalf of members, exceeded that required for future service by 1,41% of members' pensionable emoluments
- An additional contribution by way of a surcharge amounting to 6% of salaries is currently in place to fund the deficit. The surcharge will reduce to 4,5% with effect from 1 July 2007.

RETIREMENT FUND

The actuarial value of total assets was R 140,9 million more than the actuarial value of liabilities for service of members to that date and for pensioners, made up as follows:

- surplus of R83,4 million in respect of pensioners (funding level 116,2%)
- deficit of R204,3 million in respect of members (funding level 73%)
- the fund was thus 87,7% funded

Mpofofana Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
5. Retirement benefits (continued)		
- the fund did not hold an investment reserve		
- the total contribution rate payable (including the surcharge of 14% payable jointly by pre-1 July 2002 members and their employers on their behalf) exceeded that required for future service by 12,59% of members' pensionable emoluments. This should be sufficient to eliminate the deficit by 2010 provided that salary increases do not exceed CPIX plus 0,5%.		
6. Prepayments		
Prepayments (straight-lining of leases)	834,301	762,185

Mpofofana Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2011	2010
7. Financial assets - Investments		
Housing call account 1	251,524	241,101
Housing call account 2	160,008	153,377
Municipal assistance	646,369	619,584
Housing account	7,475,210	7,167,403
Housing account	6,455,717	6,833,268
Housing account	518,029	3,371,141
Municipal investment - Electricity	2,088,653	3,656,499
	17,595,510	22,069,108
8. Loans and receivables		
Loans and receivables		
Long term debtors	330,419	330,419
<p>Long term debtors relate to loan agreements which were entered into between the municipality and the Development Bank of Southern Africa (DBSA) for the water and sanitation scheme. This function was transferred to uMgungundlovu District municipality but the DBSA loan agreements could not be ceded to uMgungundlovu District municipality. The outstanding loan amount is recoverable from uMgungundlovu District municipality. Refer to the annuity loan note for the corresponding liability that Mpofofana municipality has with the Development Bank of Southern Africa (DBSA).</p> <p>The terms of the loans vary between forty to sixty years. The balance receivable within the next 12 months is reflected in the current asset section of the statement of financial position and the balance receivable after 30 June 2012, is reflected in the non-current asset section of the statement of financial position.</p>		
Non-current assets		
Loans and receivables	8,884	192,756
Current assets		
Loans and receivables	321,535	137,663
9. Inventories		
Consumable stores	105,511	37,326
<p>The municipality has taken advantage of the transitional provisions of Directive 4 which are available to low capacity municipalities.</p> <p>Inventories have therefore not been measured in accordance with GRAP 12 or the accounting policy above. A "provisional" amount has been determined by management, which will be used until the GRAP 12 measurement process is completed. It is anticipated that this process will be completed by June 30, 2012, as required by Directive 4.</p>		
10. Other receivables		
Sundry debtors	302,941	282,240
11. Consumer debtors		
Gross balances		
Rates	28,704,395	30,484,772
Electricity	45,863,443	21,533,244
Refuse	2,955,253	3,323,747
Sundry debtors	5,443,078	27,768,732
	82,966,169	83,110,495
Less: Provision for doubtful debts		

Mpofofana Municipality

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Figures in Rand	2011	2010
11. Consumer debtors (continued)		
Rates	17,181,750	20,072,796
Electricity	30,257,019	11,749,231
Refuse	1,943,088	2,384,159
Sundry debtors	3,288,556	19,600,151
	52,670,393	53,806,337
Net balance		
Rates	11,522,645	10,411,976
Electricity	15,606,425	9,784,013
Refuse	1,012,185	939,588
Sundry debtors	2,154,522	8,168,580
	30,295,777	29,304,157
Rates		
Current (0 -30 days)	978,515	1,023,522
31 - 60 days	390,926	663,966
61 days and older	27,334,954	28,797,284
	28,704,395	30,484,772
Electricity		
Current (0 -30 days)	8,585,351	8,270,760
31 - 60 days	3,161,203	553,748
61 days and older	34,116,889	12,708,736
	45,863,443	21,533,244
Refuse		
Current (0 -30 days)	64,188	77,903
31 - 60 days	23,047	51,240
61 days and older	2,868,018	3,194,604
	2,955,253	3,323,747
Sundry debtors		
Current (0 -30 days)	46,404	44,022
31 - 60 days	23,674	39,197
61 days and older	5,372,999	27,685,513
	5,443,077	27,768,732
Reconciliation of doubtful debt provision		
Balance at beginning of the year	53,806,337	41,815,666
Contributions to provision	52,670,393	32,593,476
Prior year adjustment to provision	(53,806,337)	(20,602,805)
	52,670,393	53,806,337

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2011, R 3,354,400 (2010: R 4,142,520) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

Mpofofana Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
11. Consumer debtors (continued)		
Less than 1 month	3,354,400	4,142,520
Consumer debtors impaired		
As of 30 June 2011, consumer debtors of R 52,670,393 (2010: R 53,806,337) were impaired and provided for.		
The amount of the provision was R 52,670,393 as of 30 June 2011 (2010: R 53,806,337).		
The ageing of these loans is as follows:		
1 to 3 months	52,670,393	53,806,337
12. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	800	800
Bank balances	11,863	257,338
Bank overdraft	(1,292,934)	(399,395)
	(1,280,271)	(141,257)
Current assets	12,663	258,138
Current liabilities	(1,292,934)	(399,395)
	(1,280,271)	(141,257)

Mpofofana Municipality

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Notes to the Annual Financial Statements

Figures in Rand 2011 2010

12. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2011	30 June 2010	30 June 2009	30 June 2011	30 June 2010	30 June 2009
First National Bank Limited - Mooi River branch - Public sector current account - Account number 53050399907	402,623	367,192	-	(1,292,934)	(399,395)	-
First National Bank Limited - Mooi River branch - Public sector current account - Account number 62101108034	11,863	257,338	-	11,863	257,338	-
Total	414,486	624,530	-	(1,281,071)	(142,057)	-

13. Finance lease obligation

Minimum lease payments due

- within one year	1,673,086	512,220
- in second to fifth year inclusive	5,007,058	1,352,783

less: future finance charges

6,680,144	1,865,003
(1,470,265)	(369,732)

Present value of minimum lease payments

5,209,879	1,495,271
------------------	------------------

Present value of minimum lease payments due

- within one year	1,081,993	360,858
- in second to fifth year inclusive	4,127,886	1,134,413

5,209,879	1,495,271
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The average lease term is 5 years. Interest rates are linked to prime for printers and prime less 2% for motor vehicles, at the contract date.

Contingent rents have been recognised as an expense in the statement of financial performance.

The leased assets are indicated in Note 2.

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Municipal assistance grant	638,791	-
Townview housing project grant	8,168,481	8,168,481
Cragieburn housing project grant	6,597,357	6,763,823
Finance management grant	-	283,718
Municipal systems improvement grant	-	-
Electricity grant	2,057,836	2,675,267
	17,462,465	17,791,289

Mpofoana Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2011	2010
14. Unspent conditional grants and receipts (continued)		
Municipal assistance grant		
Balance unspent at the beginning of the year	-	-
Current year receipts	725,000	-
Conditions met - transferred to revenue	(86,209)	-
	638,791	-
Townview housing project grant		
Balance unspent at the beginning of the year	8,168,481	8,168,481
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
	8,168,481	8,168,481
Cragieburn housing project grant		
Balance unspent at the beginning of the year	6,763,823	6,763,823
Current year receipts	-	-
Conditions met - transferred to revenue	(166,466)	-
	6,597,357	6,763,823
Finance management grant		
Balance unspent at the beginning of the year	283,718	553,729
Current year receipts	1,500,000	1,500,000
Conditions met - transferred to revenue	(1,783,718)	(1,770,012)
	-	283,717
Electricity grant		
Balance unspent at the beginning of the year	2,575,267	5,811,326
Current year receipts	-	-
Conditions met - transferred to revenue	(517,431)	(3,236,059)
	2,057,836	2,575,267
Municipal systems improvement grant		
Balance unspent at the beginning of the year	-	1,987
Current year receipts	750,000	735,000
Conditions met - transferred to revenue	(750,000)	(736,987)
	-	-

Municipal assistance grant

This grant was provided to Mpofoana municipality from Cooperative Governance and Traditional Affairs (CoGTA) to assist the municipality with governance issues.

Townview housing project grant

This was a tranche allocation by the Department of Human Settlement for the construction of low cost housing in the Townview area, in prior years. The project was abandoned due to the low standards as per the Department of Human Settlement. A rehabilitation project was embarked on by the Provincial Department, leaving the unspent portion with the municipality. The municipality has applied to use the funds for the construction of roads and the Phumlaas housing project. The municipality is awaiting the Department of Human Settlement's response regarding the application.

Cragieburn housing project grant

This grant will be used for the construction of low cost housing in the Cragieburn area. It is currently in tranche 1 of approval.

Finance management grant (FMG)

The main objective of this grant is to assist in the rollout of financial management reforms embodied in the MFMA through building capacity in financial management. Its primary purpose is to assist building strong financial management skills.

Mpozana Municipality

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Notes to the Annual Financial Statements

Figures in Rand

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2010

14. Unspent conditional grants and receipts (continued)

Electricity grant

This grant is used for the rehabilitation and the refurbishment of the electricity infrastructure to support sustained supply and to increase distribution capacity. The unspent portion will be used to complete the same projects.

Municipal systems improvement grant (MSIG)

This grant is used for infrastructure, capacity building and restructuring. The capacity building and restructuring grants were set up to assist the municipality in developing their planning, budgeting, financial management and technical skills.

15. Provisions

Reconciliation of provisions - 2011

	Opening Balance	Additions	Utilised during the year	Total
Provision for landfill site	7,031,082	703,108	-	7,734,190
Provision for leave pay	1,852,906	1,775,387	(2,105,488)	1,522,805
Provision for damaged vehicles	87,750	-	(80,180)	7,570
	8,971,738	2,478,495	(2,185,668)	9,264,565

Reconciliation of provisions - 2010

	Opening Balance	Additions	Utilised during the year	Total
Provision for landfill site	-	7,031,082	-	7,031,082
Provision for leave pay	959,079	1,173,466	(279,639)	1,852,906
Provision for damaged vehicles	-	87,750	-	87,750
	959,079	8,292,298	(279,639)	8,971,738

Landfill site

The landfill site provision is raised for the rehabilitation of the waste disposal site to its original state once the site has reached the end of its useful life. This is expected to be by 30 June 2015.

Leave pay

The leave pay provision is accrued at the Basic Conditions of Employment Act rate and is accumulated to a maximum of 48 days per employee.

Damaged vehicles

A provision has been raised for damages to the leased motor vehicles from ABSA Vehicle Management Solutions. All motor vehicles that have been damaged through wear and tear must be repaired before being returned to the lessor, as per the terms and conditions of the lease agreement.

16. Annuity loan

The municipality has received five loans from the Development Bank of Southern Africa (DBSA) to fund water, electricity and sewerage expenditure. The terms of the loans vary between forty to sixty years. Each loan has a fixed interest rate however, all loans have different fixed interest rates. Interest rates are between 14,30% to 16,32% per annum, payable every six months.

Three of the five loans will be recovered from uMgungundlovu District municipality as the water and sanitation function has been ceded to the district municipality. Refer to the loans and receivables note above.

Annuity Loans

DBSA Loans	331,162	487,335
Less: Current portion transferred to current liabilities	(125,158)	(156,173)
	206,004	331,162

Mpofofana Municipality

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Figures in Rand	2011	2010
17. VAT receivable		
VAT refundable	608,791	145,751
18. Trade and other payables from exchange transactions		
Trade payables	279,642	267,048
Other payables	8,688,413	7,765,866
	8,968,055	8,032,712
19. Consumer deposits		
Electricity	192,696	176,206
Water	146,237	147,887
Other	18,595	49,690
	357,528	373,783
Interest is not paid to consumers when deposits are refunded and hence is not accrued on consumer deposits value.		
20. Revenue		
Property rates	5,967,013	5,373,420
Service charges	43,123,011	24,298,995
Rental of facilities & equipment	1,024,503	892,817
Fines	1,888,540	1,851,495
Licences and permits	2,966,240	2,253,732
Government grants (refer note 22)	26,452,126	27,240,976
	81,421,433	61,911,435
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	43,123,011	24,298,995
Rental of facilities & equipment	1,024,503	892,816
Licences and permits	2,966,240	2,253,732
	47,113,754	27,445,543
The amount included in revenue arising from non-exchange transactions is as follows:		
Property rates	5,967,013	5,373,420
Fines	1,888,540	1,851,495
Government grants & subsidies	26,452,126	27,240,976
	34,307,679	34,465,891

Mpofofana Municipality

Annual Financial Statements for the year ended 30 June 2011

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Figures in Rand	2011	2010
21. Property rates		
Property rates	5,967,013	5,373,420
Valuations on land and buildings are performed every four years. The last valuation occurred on July 01, 2008.		
The following general rates are applied:		
-Residential	R1.2100	R0.0112
-Agricultural	R0.3000	R0.0028
-Commercial	R1.5000	R0.0170
-Public Service Infrastructure	R0.3000	R0.0025
Rebates of 30% were granted to rates on residential properties, 55% on agricultural properties. In the 2009/2010 year rebates of 30% were granted to rates on residential, 44% agricultural properties and 30% public service infrastructure.		
Rates are levied on a monthly basis.		
Rates are levied on the following properties as per the valuation roll:		
Property valuations		
Agricultural	1,187,766,000	1,541,756,000
Agricultural smallholding	335,268,000	-
Commercial	257,191,100	78,961,000
Industrial	1,525,000	-
Institutional	-	99,090,000
Municipal	6,771,000	8,470,000
Public service infrastructure	6,424,530	2,804,253
Residential & Residential hospitality	400,105,700	389,977,850
Sectional title - Commercial	1,300,000	-
Sectional title - Residential	6,250,000	1,770,000
State owned	511,000	11,786,450
Place of worship	7,000,000	9,300,000
	2,210,112,330	2,143,917,553
22. Service charges		
Sale of electricity	42,669,907	23,839,742
Refuse removal	453,104	459,253
	43,123,011	24,298,995

Mpozana Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2011	2010
23. Government grants and subsidies		
Equitable share	16,894,646	13,559,116
Cragieburn housing project grant	166,466	-
Museum subsidy	42,000	-
Municipal infrastructure grant (MIG)	3,039,000	7,938,803
Municipal systems improvement grant (MSIG)	750,000	736,986
Finance management grant (FMG)	1,783,718	1,770,011
Municipal assistance grant	86,209	812,895
Department of trade and industry (DTI) subsidy	2,555,481	-
Public health subsidy	817,175	-
Electricity grant	517,431	2,423,165
	26,452,126	27,240,976

Equitable share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Museum subsidy

This subsidy has been granted to the municipality for operational upkeep of the museum in the area.

Department of trade and industry (DTI) subsidy

This subsidy was granted to the municipality by the Department of Trade and Industry. This was granted to reimburse the municipality for 30% of all capital expenditure incurred during the 2008/2009 reporting period until the 2010/2011 reporting period.

Public health subsidy

This subsidy was granted to the municipality by the Department of Public health for the operational costs of running the clinic.

Municipal infrastructure grant (MIG)

This grant is used to address backlogs in municipal infrastructure required for the provision of basic services.

24. Other income

Other income	252,671	352,233
Cemetery fee income	42,150	49,750
Donations income	-	529,211
	294,821	931,194

Mpofofana Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2011	2010
25. Employee related costs		
Basic	10,736,652	7,144,500
Bonus	1,103,547	604,214
Medical aid - company contributions	789,943	734,627
UIF	120,268	170,327
SDL	165,588	91,593
Leave pay provision charge	252,631	1,173,466
Post-employment benefits	2,425,027	1,819,075
Overtime payments	1,253,266	958,194
Transport allowance	1,444,157	1,363,582
Housing benefits and allowances	35,744	49,649
Other allowances	1,647,487	1,391,031
Other payroll levies	5,790	3,747
	19,980,100	15,504,005
Remuneration of municipal manager		
Annual Remuneration	324,936	320,000
Car, travel, accommodation allowance and other	351,841	263,515
Performance Bonuses	63,656	-
	740,433	583,515
Remuneration of chief finance officer		
Annual Remuneration	323,659	260,000
Car, travel, accommodation allowance and other	332,234	284,246
Performance Bonuses	57,523	-
	713,416	534,246
Remuneration of Director Corporate Services		
Annual Remuneration	173,333	227,500
Car, travel, accommodation allowance and other	205,754	306,049
	379,087	533,549
Remuneration of Director Technical Services		
Annual Remuneration	200,790	-
Car, travel, accommodation allowance and other	161,368	-
Performance Bonuses	2,643	-
	364,799	-
Remuneration of Director Social Services		
Annual Remuneration	303,561	300,636
Car, travel, accommodation allowance and other	365,737	288,152
Performance Bonuses	29,703	-
	699,001	588,788

Mpofofana Municipality

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Figures in Rand	2011	2010
26. Remuneration of councillors		
Executive Mayor	651,844	547,989
Deputy Mayor	-	178,744
Councillors	613,368	474,188
Councillors' pension and medical aid contributions	128,096	94,607
Councillor's allowances	429,041	301,230
	1,822,349	1,596,758
27. Debt impairment		
Contributions to bad-debt provision	1,027,357	28,558,886
Bad debts written off	24,080,561	4,034,789
	25,107,918	32,593,475
28. Investment revenue		
Interest revenue		
Interest on investments	894,868	1,119,694
Interest charged on consumer debtors	4,475,582	7,820,687
Bank	47,468	45,376
	5,417,918	8,985,757
29. Depreciation and amortisation		
Property, plant and equipment	4,212,836	5,296,469
30. Impairment of assets		
Impairments		
Property, plant and equipment	550,812	25,930,672
The impairment losses on property, plant and equipment were calculated by an expert, Pricewaterhousecoopers Combined System (Pty) Ltd.		
Impairment losses were calculated based on the result of a physical verification conducted during which a condition assessment was performed.		
31. Finance costs		
Provision for landfill site (unwinding)	703,108	-
Interest on finance leases	324,342	141,342
Interest on bank	53,666	-
Interest on non-current borrowings	68,486	56,246
	1,149,602	197,588
32. Auditors' remuneration		
Fees	815,711	693,971

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Notes to the Annual Financial Statements

Figures in Rand	2011	2010
33. Operating lease		
At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:		
Operating leases - lessee		
Within one year	217,479	165,965
In the second to fifth year	508,337	68,071
	725,816	224,036
Operating leases consist of the following:		
Operating lease payments represent rentals payable by the municipality for certain of its fleet vehicles, and clinic. Leases are negotiated for four years for the rental of the clinic, and the lease periods for the motor vehicles vary. Lease rentals for the clinic escalate by 10% over the lease period. Lease rentals for the fleet vehicles are linked to the prime interest rate.		
Operating leases - lessor		
The municipality has low cost houses that are leased to certain staff/members. Lease rentals are based on a percentage of the lessee's income levels. These leases are cancellable at any time by either party provided that one month's notice is given. There is no fixed lease period.		
34. Rental income		
Premises		
Premises	233,939	227,232
Venue hire	30,270	24,500
	264,209	251,732
Facilities and equipment		
Rental of equipment	760,294	641,085
	1,024,503	892,817
35. Bulk purchases		
Electricity	27,279,093	21,476,834
36. Cash (used in) generated from operations		
Deficit	(3,426,888)	(43,543,290)
Adjustments for:		
Depreciation and amortisation	4,212,836	5,298,469
Loss on sale/disposal of assets	39,422	100,230
Finance costs	446,494	197,588
Interest income	(5,417,918)	(8,985,757)
Impairment deficit	550,812	25,930,672
Movements in provisions	292,827	8,012,859
Adjustments for GRAP	-	20,753,490
Other non-cash items	(1,446,898)	-
Changes in working capital:		
Inventories	(68,185)	256,832
Trade and other receivables	(92,817)	(294,467)
Consumer debtors	(991,620)	5,209,542
Trade and other payables from exchange transactions	935,344	1,428,846
VAT	(463,040)	1,306,313
	(5,429,631)	15,669,127

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Figures in Rand

37. Commitments

Authorised capital expenditure

Approved and contracted for

• Craigieburn Mpofana & Onverwag Access gravel roads	1,590,969	-
• Phumlaas Road project	9,668,000	-
	<u>11,258,969</u>	<u>-</u>

38. Contingencies

The following were disputes as at 30 June 2011:

Weston Agricultural College	R350 000
Sala Pension Fund (x3)	R150 000
Tai Yuen Textiles	R200 000

Weston Agricultural College is suing the municipality for the damages that occurred to their equipment as a result of a natural fire disaster.

The Sala Pension Fund sued the municipality for subscription fees. This matter is still ongoing.

The dispute between Tai Yuen Textiles and the municipality relates to a tariff dispute.

39. Related parties

Related party transactions

Councillor T Pratsch		
Caltex Service Station	<u>150,589</u>	<u>122,281</u>

A related party exists between the municipality and Councillor T Pratsch.

The Municipality has a credit facility for the purchase of fuel and oil for Municipal vehicles. The owner of the Caltex Service Station used is a Councillor of the Municipality.

The business transaction was entered into in the year 2000 prior to the owner becoming a Councillor.

Remuneration to key personnel of the municipality is disclosed in notes 24 and 25.

Mpofoana Municipality

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Notes to the Annual Financial Statements

Figures in Rand

	2011	2010
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40. Prior period errors

During the year ended 30 June 2010 unspent conditional grants were incorrectly recognised hence the unspent conditional grant liability for the electricity grant has been restated from R 4 998 433 to R 2 575 268. This is due to the grant register not being updated correctly in the prior year. The balance as at 30 June 2010 of R 2 575 268 has been confirmed by Department of Energy.

During the year ended 30 June 2010 the statement of financial performance showed a fair value adjustment of R 389 763 relating to property, plant and equipment. This adjustment related to assets that were found in the prior financial year and a deemed cost was given to those assets. As a result the fair value adjustment has been restated from R 389 763 to R nil, as the deemed cost adjustment has been taken to accumulated surplus.

In prior years the municipality had a deputy mayor. As the municipality has a plenary council they should not of have had a deputy mayor in this position. As a result the remuneration awarded to the deputy mayor has been raised as a sundry debtor (as at 30 June 2010 - an amount of R 65 631 and financial periods prior to 30 June 2010 - an amount of R 179 914).

In the 2010 financial year, there was land that is on the valuation roll but was not accounted for as investment property as per GRAP 16.

In years prior to 1 July 2009, the municipality had vacant land with undetermined use, as a result these items should be classified as investment property as per GRAP 16.

The correction of the error results in adjustments as follows:

Financial periods prior to 1 July 2009

Statement of financial position

Sundry debtors	179,914	-
Investment property	290,294	-
Property, plant and equipment	(290,294)	-

Statement of financial performance and Accumulated surplus

Employee related costs (remuneration of councillors)	(179,914)	-
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2010

Statement of financial position

Unspent conditional grants - Electricity grant	(2,423,165)	-
Sundry debtor	65,631	-
Investment property	5,045,100	-
Accumulated surplus	(5,045,100)	-

Statement of financial performance and Accumulated surplus

Revenue - Electricity grant	2,423,165	-
Employee related costs (remuneration of councillors)	(65,631)	-

41. Going concern

We draw attention to the fact that the municipality had a deficits of R 3,426,888 as at 30 June 2011 and R 43,543,290 as at 30 June 2010.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

There is a financial turn around strategy which has been approved by council. This will be in effect in the next eight months. The Financial turn around strategy aims to prioritize the following:

1. Revenue maximization
2. Revenue protection
3. Cost recovery on tariffs

Mpofoana Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
41. Going concern (continued)		
4. Disposal of underutilized assets		
5. Prioritization of economic development		
6. Reduction in non critical expenditure and an increase on key service delivery expenditure.		
Estimated cash inflows R 90 236 937		
estimated cash outflow R 88 542 957		
Net cash flows R 1 693 980		
42. Events after the reporting date		
After reporting date, the municipality has been notified by the Minister of Finance that R 4 998 433 will be withheld from their 2011/2012 allocation of equitable share. The R 4 998 433, relates to an unspent conditional grant (electricity grant) that was reflected as a balance in the prior year annual financial statements, however this unspent conditional grant has been restated to R 2 257 268 as at 30 June 2010 (refer note 40).		
43. Unauthorised expenditure		
At the time of completion of the annual financial statements, there was no unauthorised expenditure.		
44. Fruitless and wasteful expenditure		
Penalty interest	496	-
Penalty interest on bank		
In the current year the municipality incurred penalty interest on their main bank account as a result of being in overdraft at certain points during the year.		
45. Irregular expenditure		
At the time of completion of the annual financial statements no irregular expenditure had been incurred.		
46. In-kind donations and assistance		
During the current financial year (2010/2011), there were no in-kind donations and assistance.		
47. Deviation from supply chain management regulations		
Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.		
Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of council and the accounting officer and includes a note to the annual financial statements.		
Various items were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(1) as stated above. The reasons for the deviations were documented and reported to the Accounting Officer who considered them and subsequently approved the deviation from the normal supply chain management regulation.		
Reasons for deviations		
Sole supplier and where SLAs had to be put in place	73 % at R 811 910	
Emergency cases	16 % at R 177 955	
Media target market	5 % at R 55 611	
Bulk purchase suppliers	6 % at R 66 734	
48. Risk management		
Maximum credit risk exposure		

Mpofoana Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand 2011 2010

48. Risk management (continued)

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the municipality. The utilisation of credit limits is regularly monitored.

Financial assets exposed to credit risk at year end are noted under the respective Financial assets - Investments, Trade and other receivables and the Cash and cash equivalents notes.

These balances represent the maximum exposure to credit risk.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The municipality's financial liabilities are all classified as current liabilities, payable within the next 12 months, other than the finance lease, the maturity of which is disclosed in the finance lease note.

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

At year end, financial instruments exposed to interest rate risk were as follows:

- Call deposits
- Notice deposits
- Long-term debtors

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of financial assets - investments. With all other variables held constant, the municipality's deficit for the year is affected through the impact on variable rate investments as follows.

	Effect on profit before tax	
	2% increase	2% decrease
2011		
Financial assets - Investment	351,910	(351,910)
2010		
Financial assets - Investment	441,382	(441,382)

Fair value hierarchy

The municipality does not carry any of its financial assets at fair value on subsequent measurement. The fair value hierarchy disclosure has therefore not been disclosed.

49. Electricity losses

Electricity units (kWh) lost in distribution

Electricity units (kWh) purchased from Eskom	61,857,434	60,112,284
Electricity units (kWh) sold from Eskom	(46,950,363)	(50,437,312)
	14,907,071	9,674,972

Electricity losses for the financial year is 17.1% (2010: 16%). The rand value of the electricity losses for the financial year is R4,442,361 (2010: R3,436,293).

Mpofofana Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
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49. Electricity losses (continued)

These losses are attributable to electricity line losses within the electricity network infrastructure.

Mpofofana Municipality

Annual Financial Statements for the year ended 30 June 2011

Detailed Income statement

Figures in Rand	Note(s)	2011	2010
Revenue			
Property rates	21	5,967,013	5,373,420
Service charges	22	43,123,011	24,298,995
Rental of facilities and equipment		1,024,503	892,817
Fines		1,888,540	1,851,495
Licences and permits		2,966,240	2,253,732
Government grants & subsidies	23	26,452,126	27,240,976
Other income	24	294,821	931,194
Interest received - investment	28	5,417,918	8,985,757
Total Revenue		87,134,172	71,828,386
Expenditure			
Employee related costs	25	(10,980,100)	(15,504,005)
Remuneration of councillors	26	(1,822,349)	(1,596,758)
Depreciation and amortisation	29	(4,212,836)	(5,298,469)
Impairment loss/ Reversal of impairments	30	(550,812)	(25,930,672)
Finance costs	31	(1,149,602)	(197,588)
Debt impairment	27	(25,107,918)	(32,593,475)
Repairs and maintenance		(1,172,692)	(1,337,141)
Bulk purchases	35	(27,279,093)	(21,476,834)
Contracted services		(1,750,902)	(715,818)
Grants and subsidies paid		(166,466)	(666,462)
General Expenses		(7,328,868)	(9,956,224)
Total Expenditure		(90,521,638)	(115,271,446)
Loss on disposal of assets		(39,422)	(100,230)
Deficit for the year		(3,426,888)	(43,543,290)



Mpofofana Municipality

Annual Financial Statements for the year ended 30 June 2011

Mpofofana Municipality
Appendix A

	Current year 2011 Actual balance Rand	Current year 2011 Adjusted Budget Rand	Var	Act. Bal.	Explanation of variances greater than 10 %
Revenue					
Property rates	5 967 013	5 528 537	438 476	7.93%	
Service charges	43 123 011	40 213 000	2 910 011	7.24%	
Rental of facilities and equipment	1 024 503	1 296 865	-272 362	-21.00%	The municipality had greater than anticipated levels of demand for rentals of facilities
Fines	1 888 540	806 425	1 082 115	134.19%	Citizens were not compliant with the laws of the road Delays in implementation of the ARRTO ACT led to revenues for the municipality
Licences and permits	2 956 240	2 515 945	450 295	17.90%	Additional grant funding from DTI was received and the derecognition of the electricity grant
Government grants & subsidies	26 452 126	24 563 549	1 888 577	7.69%	The disposal of idle assets did not take place in the 2010/2011 year and was rather captured in the financial turnaround strategy of the municipality.
Other income	294 821	2 884 575	-2 589 754	-89.78%	
Interest received -investment	5 417 918	8 505 104	-3 087 186	-36.30%	
TOTAL	87 134 172	86 314 000	820 172	0.95%	
Expenses					
Personnel	-21 802 449	-21 802 449	0	0.00%	Not all the positions were filled in the organogram
Depreciation	-4 212 836	-4 212 836	0	0.00%	Two road construction project were work delayed and the budget for depreciation has included them
Impairment loss/reversal of impairments	-550 812	-550 812	0	0.00%	
Finance cost	-1 149 602	-1 149 602	0	0.00%	The unwinding of the interest factor for the landfill site was greater than budget due to the unfavourable interest rates.
Debt impairment	-25 107 918	-19 317 280	-5 790 638	29.98%	The risk profiling from Transunion indicated a need to further impair debtors
Repairs and Maintenance	-1 172 692	-1 172 692	0	0.00%	The maintenance was reactive rather than planned the Director joined the municipality in November 2010
Bulk purchase electricity	-27 279 093	-27 279 093	0	0.00%	The implementation of bulk purchase assisted in curbing the expenditure.
Contracted Services	-1 750 902	-1 750 902	0	0.00%	
Grants and subsidies	-166 466	-166 466	0	0.00%	
General expenses	-7 328 868	-7 328 868	0	0.00%	The cash flow and debtor nonpayment restricted expenditure of the municipality.
Sub total	-90 521 638	-84 731 000	-5 790 638	6.83%	
Other revenue and costs					
Gain or loss on disposal of assets or liability	-39 422	0	-39 422	0	
Net deficit for the period	-3 426 888	1 583 000	-5 009 888	-316.48%	

Appendix 1	Description	Current				Accumulated expenditure				Accumulated impairment/over/under			
		Balance 30 June 2020	Address	Yearly identified	Revised	2021	Balance 30 June 2020	Address	Revised	Balance 30 June 2021	Balance 30 June 2020	Admitted	Balance 30 June 2021
Land	Building	520 250.00	-	-	-	520 250.00	-	-	-	-	520 250.00	-	520 250.00
	Infrastructure	51 508 544.11	779 402.49	-	-	51 508 544.11	11 071 220.64	1 079 652.63	-	12 147 882.23	21 547 513.75	529 454.64	19 641 508.52
	Road	8 382 175.00	37 000.00	-	-	8 419 175.00	979 486.00	105 842.77	-	1 085 328.77	4 326 912.11	20 046.61	2 990 000.00
	Water	-	-	-	-	-	-	-	-	-	-	-	-
	Sanitary	52 222.10	-	-	-	52 222.10	14 620.10	1 694.43	-	16 314.53	-	-	38 694.56
	Other	61 497 464.10	619 900.49	-	-	62 117 364.59	607 115	665.93	-	607 780.93	22 880 074.86	343 562.03	23 223 637.29
	Total Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-
	Other / Assets	2 115 551.96	462 594.13	26 462.54	-	2 598 644.05	1 124 344.49	221 650.85	-	1 305 995.34	-	-	1 305 995.34
	Infrastructure and Equipment	1 115 551.96	121 000.00	12 621.04	-	1 249 172.95	509 395.94	105 712.64	-	615 108.58	703.77	-	149 708.13
	Infrastructure and Equipment	1 115 551.96	121 000.00	12 621.04	-	1 249 172.95	509 395.94	105 712.64	-	615 108.58	703.77	-	149 708.13
	Transport Assets	679 541.10	62 100.00	-	-	741 641.10	234 793.14	10 937.21	-	245 730.35	604.62	174.13	246 409.10
	Total Other Assets	5 031 971.13	979 000.15	71 084.58	-	5 982 055.86	2 079 204.12	979 779.46	-	3 058 983.58	1 308.18	174.13	3 060 265.89
Capital work in Progress	A/C	34 800.00	2 134 976.09	-	-	2 169 776.09	-	-	-	-	-	-	2 169 776.09
	Forecast lease assets	2 127 151.35	4 352 611.41	-	-	6 479 762.76	771 610.00	683 679.20	-	1 455 289.20	-	-	1 455 289.20
Sole assets - Landfill site	20207	7 811 000.00	-	-	-	7 811 000.00	1 467 216.00	1 467 216.00	-	2 924 432.00	-	-	2 924 432.00
	Total PPE	62 487 802.16	8 233 772.61	91 596.43	-	70 813 171.20	20 016 513.13	4 714 972.47	-	24 731 485.60	23 900 072.20	550 011.99	25 281 504.19
Infrastructure	20202	146 732.40	32 379.35	-	-	179 111.75	46 632.16	37 844.08	-	84 476.24	-	-	138 405.36
	Infrastructure	5 335 394.00	-	-	-	5 335 394.00	30 915 540.40	4 712 836.25	-	35 628 376.65	23 900 072.20	550 011.99	59 528 458.84
Total PPE	20202	67 980 232.27	8 446 352.11	91 596.43	-	76 418 180.81	20 962 045.56	4 750 816.73	-	25 712 962.29	23 900 072.20	550 011.99	60 419 963.03

Appendix C

Description	Cost					Accumulated depreciation					Accumulated impairment/depreciation					Net book value	
	Department	Balance 30 June 2010	Additions	Revalued items at fair value	Disposal	Balance 30 June 2011	Balance 30 June 2010	Addition	Disposal	Balance 30 June 2011	Balance 30 June 2010	Adjustment	Balance 30 June 2011			Net book value	
MUNICIPAL MANAGER	10000	305 378.94	7 267.54	-	-	312 646.48	-	12 387.07	-	12 387.07	-	-	12 387.07	28 511.83		28 511.83	
COUNCIL GENERAL	10000	34 485 648.24	24 690.40	690.56	-	34 520 939.20	5 439 074.00	1 784 086.24	-	7 223 160.24	6 059.46	1 074.76	83 718.48	7 214 679.51		7 214 679.51	
FINANCIAL SERVICES	10000	411 646.18	58 778.94	26 254.61	-	496 679.73	207 479.01	73 150.15	-	280 629.06	174.14	-	280 803.20	174.14		280 803.20	
TECHNICAL SERVICES	40000	63 129 715.87	7 222 778.20	32 042.05	-	70 384 536.12	13 016 570.07	1 017 103.88	-	14 033 673.95	548 651.06	-	14 582 325.01	548 651.06		14 582 325.01	
SOCIAL, ECONOMIC AND PLANNING SERVICES	50000	488 278.11	39 714.55	10 873.16	-	538 865.82	474 718.07	71 334.11	-	546 052.18	494.00	-	546 546.18	494.00		546 546.18	
CORPORATE SERVICES	60000	3 681 205.57	1 520 442.55	22 777.12	-	5 224 425.24	1 096 770.08	596 428.06	-	1 693 198.14	753.09	-	1 693 951.23	753.09		1 693 951.23	
		82 325 292.24	8 183 792.86	73 296.50	-	90 582 381.60	20 016 076.12	4 518 992.47	-	24 535 068.59	25 000 872.07	559 821.59	25 054 893.66	25 000 872.07		25 054 893.66	
Intangible		142 552.43	53 399.15	-	-	195 951.58	48 022.15	37 444.08	-	85 466.24	-	-	85 466.24	-		110 485.34	
Investments		5 335 294.60	-	-	-	5 335 294.60	-	-	-	-	-	-	-	-		5 335 294.60	
		87 090 139.27	8 236 192.01	91 596.50	-	95 466 028.28	20 064 098.27	4 556 436.55	-	24 620 534.83	25 000 872.07	559 821.59	25 054 893.66	25 000 872.07		25 054 893.66	

ANNEXURE 2- MANAGEMENT RESPONSES TO THE AUDIT REPORT

Report of the Auditor-General to the Kwazulu-Natal Provincial Legislature and the Council on Mpofoana Municipality

Report On the Financial Statements

The Auditor general Opinion States:

1. Opinion

"In my opinion, the financial statements present fairly, in all material respects, the financial position of the Mpofoana Municipality as at 30 June 2011, and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the MFMA and DORA." (Audit report 2010/2011)

The municipality received an unqualified audit opinion. Yet the report of the Auditor General brings to the attention of the user/Council/Audit Committee following important matters under its matter of emphasis paragraphs.

2. Emphasis of matters

2.1 Restatement of corresponding figures

"As disclosed in note 40 to the financial statements, the corresponding figures for debtors, investment property, unspent conditional grants and revenue for 2009-2010 have been restated as a result of errors discovered during 2010-2011 financial year." (Audit Report 2010/2011)

Responses from management

The corrections to the Annual Financial Statements that were submitted to the Auditor General on the 31 August 2011, had not taken into account the following:

- (a) Debtor discounting: The municipality was of the view that since an interest charge was being levied on all arrear accounts the municipality was thus taking into account the time value of money. The interest rate which was being levied by the municipality was 12% which was above prime for most part of the year. The Auditor General raised an argument of the need to present value in line with the cash receipts trend. The effects of these adjustments were material in value.
- (b) Investment property: certain vacant land was classified as property plant and equipment, while a majority was accounted for as housing stock. This Classification The vacant land held which was held as housing stock required to be accounted for at market value as it was previously accounted for at the lower of cost and net realisable value which was zero.
- (c) Unspent conditional grants: The municipality had an electricity grant which was received from DME for the upgrade of the substation. There was expenditure which was regarded as claimable from the department and the municipality confirmed with the department which led to the adjustment.



The municipality will continue to discount debtors at year end going forward. All vacant land has been correctly classified and should not be a problem going forward. The surplus funds from the DME project have been returned to national treasury.

2.2 Material losses

"As disclosed in note 49 to the financial statements, electricity losses amounting to R4,442 million were incurred as a result of electricity distribution losses within the network infrastructure." (Audit report 2010/2011)

Response from management

The municipality is currently implementing its revenue protection programme. The municipal electrical engineer has reported as per the Igoda report: that the Eskom purchases are down by 7.25 % year on year compared to 2010/2011. This equates to a reduction of 2.4 million kWh. Prepaid sales are up by 19.5 % compared to prior year thus 650 000 units have been sold in 2011/2012. The distribution loss has showed a steady decline from 17 % from the prior Annual Financial Statement disclosed to 15.4 % as at December 2011.

Other information included in the audit report which was noted by management is the following:

"Additional matter

1. I draw attention to the matter below. My opinion is not modified in respect of this matter:

Unaudited supplementary schedules

2. The supplementary information set out on pages **xx to xx** does not form part of the financial statements and is presented as additional information. I have not audited these schedules, and, accordingly I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

3. In accordance with the PAA and in terms of General Notice No.1111 of 2010, issued in Government Gazette No.33872 of 15 December 2010, I include below my findings on the annual performance report as set out on pages **xx to xx** and material non-compliance with laws and regulations applicable to the municipality.

Predetermined objectives

4. There were no material findings on the annual performance report." (Audit report 2010/2011)

Response from management

Management was pleased regarding the improvement made relating to the audit of predetermined objectives as this was a large part of the 2009/2010 audit report.

In as far as compliance with laws and regulation the Audit report stipulates non-compliance:

"The financial statements submitted for audit did not comply with section 122 (1) (a) of



the MFMA as material misstatements were identified during the audit, which were corrected by management.”(Audit report 2010/2011)

Response from management

The municipality is a step closer to the target of a clean audit by 2014. The items as responded to under the material adjustments, were critical matters for the GRAP conversion year. Should these items have been dealt with then the municipality would have been prudent. The municipality will be embarking on measures to ensure that financial reporting is accurate and regular.

Internal control

“In accordance with the PAA and in terms of General Notice No.1111 of 2010, issued in Government Gazette No.33872 of 15 December 2010, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the findings on compliance with laws and regulations included in this report.”(Audit report 2010/2011)

Response from management

The municipality is currently utilising the shared service internal audit model with uMngeni Municipality. There seems to be a great need to have an internal audit function at the municipality, on a full time basis. This will enhance the internal control environment and assist towards accurate reporting, by detecting misstatements and allow for corrections on a monthly basis at a transaction level and at a balance level.

Leadership

“Timely action plans were not developed and monitored to address internal control deficiencies with respect to compliance with laws and regulations relevant to financial reporting.”(Audit report 2010/2011)

Response from management

The municipality will also be embarking on interim financial reporting in February 2012.

Financial and performance management

“The design and implementation of the municipality's internal control systems were inadequate in monitoring and ensuring effective compliance with laws and regulations. The financial statements were not adequately reviewed for completeness and accuracy prior to submission for audit, thus necessitating material audit amendments.” (Audit report 2010/2012)

Response from management

The necessary corrective measures are going to be implemented.

AUDIT COMMITTEE REPORT

The Committee has met six (6) times during the financial year ending 30 June 2011, and attendance was as follows:

The meeting convened for 28 June 2011 did not take place due to no quorum.

Prof. B. Stobie - Chairperson	[meetings attended - 6]
Mr S. Kunene	[meetings attended - 4]
Mr B. Mkhabela	[meetings attended - 4]

The Committee received reports from the auditors, evaluated management responses and made recommendations to improve the systems and controls.

Management performance has been assessed for the first time this year and the Oversight Committee has also been operational. Each quarter of the year has now been assessed and the importance of service delivery has been emphasized.

The theft of electricity and non-payment of service accounts remains a challenge to the municipality and is being addressed by the entity's risk strategy.

The financial statements have been reviewed by the Audit Committee which recommends the report of the Auditor-General be accepted.

The minutes of the Audit Committee serve before Council and the Chairman has attended meetings of the Oversight Committee.

Electrical meters are being checked and repaired as necessary.

The role of the Audit Committee in improving communication with the Council is an objective for the future. The importance of this has been emphasized by the Auditor-General and the Committee intends to promote effective communication with Council.



PROF. B. STOBIE
CHAIRPERSON

21 OCTOBER 2011

CHAPTER 5

FUNCTIONAL AREA SERVICE DELIVERY REPORTING

5.1 Finance Department

Function: Sub-Function:	Finance and Administration Finance		
Reporting Level	Details		Totals
Overview	This function included all activities relating to finance functions of the Municipality. Grants information for 2010/2011 is disclosed in Appendix Section 14 Pg. 31 of the of the Annual Financial Statements		
Description of Activities:	The function of the Finance Department within the municipality was administered and included the following functions: Income; Consolidated Billing; Levying of property Rates; Managing Debtors; Managing Creditors; Receipting of Income by cashiers; Reading of metered services; Financial Management System; and Control of VENUS; Expenditure Monitoring (Capital and Operational); Managing Payroll; Records and Administration; Compilation and Control of Budget; Preparation and Distribution of Management Accounts; Management and Control of Investments; Co- ordination of Projects and Management of Special Funds; Costing; Production of Annual Financial Statement and Supply Chain Management.		
Service Delivery Mandate:	The Municipality had a mandate to deliver services in a manner that is fair equitable and just, taking into account the efficient use of resource provided for the purpose of delivering such services.		
Strategic Objective:	The strategic issue of the Finance Department was: <ul style="list-style-type: none"> • To improve liquidity • To expand Revenue Base • To reduce Debtors • To reduce Audit Queries • To develop and implement an Operational strategy of Assets Control • To Develop Financial Policies and procedures 		
Key Issues:	The Key issue for 2010/2011 were as follows: <ul style="list-style-type: none"> • To improve financial management to ensure sustainable financial viability. 		
Analysis of Function	1. Debtors Billings and Value of Annual Billings: • Property Rate	5446	R64 0527804

<ul style="list-style-type: none"> Electricity Refuse Removals 		815	R18993980.91
Totals		128	R 597102 35
			<u>R26 971 054</u>
2. Debtors Collections and value of annual Billings:			
<ul style="list-style-type: none"> Property Rate Electricity Refuse Removals 		5446	R3,349,680
		815	R9,321 443
		128	R 532,940
Totals			<u>R13,204 063</u>
3. Debtors Age Analysis (30, 60, and 90 Plus days)	30 Days	60 Days	90 Days +
	R720 909		
	R1 294 935		
<ul style="list-style-type: none"> Property Rates Electricity Refuse Removals 	R 24 697		
Totals	R 2 040 541		
4. Debtors Written-Off: 2010/2011: No debtors were written off during the year under review. Council took a resolution to write off all assets relating to indigent customers			R 4m
5. Property Rates (Residential)			
<ul style="list-style-type: none"> Properties Rated Properties Not Rated Exempted Properties 			
6. Property Rates (Commercial)			
<ul style="list-style-type: none"> Properties Rated Properties Not Rated Exempted Properties 		238	R93 285 100
		None	R Nil
		None	R Nil
7. Property Valuations			
<ul style="list-style-type: none"> Year of Last Valuation Regularity of Valuation 		2008/2009	
The current valuation roll was compiled on 23 June 2010 in terms of Municipality Property Rates Act No 06 of 2004.		4 Year Cycle	
8. Indigent Policy			
<ul style="list-style-type: none"> Number of Households affected (Council resolved to increase the subsidy to include free domestic refuse collection from all domestic households) Re-registration of Indigents is in process 		2800	

	<p>9. Creditors Payment The Municipality had no Creditors that were due for more than 30 days in 2009/2010</p> <p>10. Credit Ratings The Municipality has received no credit ratings for the past financial years</p>	Nil
	<p>11. External Loans:</p> <ul style="list-style-type: none"> • DBSA 14.35% Electricity Loans • UMsekeli Loan (Written- Off) <p>Total Outstanding</p>	
	<p>12 Default and Delayed Payments</p> <p>There was no default and delayed payments during the year under review</p>	Nil

Function:	Finance	
Sub-Function:	Supply Chain Management (Procurement)	
Reporting Level	Details	Totals
Overview	This function included all activities relating to the overall procurement functions of the Municipality including costs associated with orders, tenders, contract management, etc.	
Description of Activities	<p>The function of the Supply Chain Management Unit within the Municipality is administered and includes the following functions: Demand Management (Specification Committees; Requisitions and Motivations); Acquisition Management (Advertising of Tenders; Obtaining of Quotations and Ordering of goods and services; Evaluation of Bids and appointment of Service Providers); Logistics Management (Arranging Storage for goods not required immediately, stock and inventory management system recording in the appropriate registers); and Disposal Management (Disposing goods which are no longer required by the Municipality)</p> <p>The Supply Chain Management Unit of the Municipality does not take part in the procurement processes where goods and or services are not to be paid for by the National or Provincial Government Departments and or District Municipality where goods will be used for the purposes of supporting the Mpofana Municipality.</p>	
Service Delivery	The Municipality has a mandate in terms of Section 217 of the Constitution of the Republic of South Africa of 1996 to	

Mandate:	develop a policy that will regulate the procurement of goods and services within an institution in a manner that is cost effective, fair, transparent and equitable to all the service providers or suppliers.	
Strategic Objective:	The strategic issue of the Finance Section was: <ul style="list-style-type: none"> To promote transparency, cost effectiveness and equity in the procurement of goods and services. 	
Key Issues	The key issues for 2010/2011 were as follows: <ul style="list-style-type: none"> To review Supply Chain Management policies and procedures To train Supply Chain Management practitioners 	
Analysis of Function	1. Details of Tenders/ Procurement activities: <ul style="list-style-type: none"> Number of tender committee meetings during the year Number of tenders considered Number of tenders approved Average time taken from the tender advertisement to the awarding of tender 	

Key Performance Area	Performance During the Year; Targets against achieved	Current/Actuals	Target
1. Administration	Develop and Maintains an economical, effective, efficient, accountable and performance driven Financial Services Department in accordance with the provisions of the Municipal Finance Management Act, Systems Act, Structures Act And other legislation applicable to the Municipality	<p>The following new policies were adopted on the 31 May 2010:</p> <ol style="list-style-type: none"> 1.Cash and banking policy; 2.Bank reconciliation policy; 3.Petty cash policy 4.Asset management policy; 5.Budgeting policy; 6.Virement policy; <p>(all policies have procedures)</p> <p>The following policies reviewed:</p> <ol style="list-style-type: none"> 1. Property Rates policy, and 2 Tariff policy. 	Review existing and develop outstanding financial policies and procedures (Anti-Corruption and Fraud Prevention Policy, Asset and liability management policy, Risk Management Policy, standing operating procedures and administrative delegations, Budget and Tariff Policies, property rates policy).

		<p>First planned policies were implemented through a workshop on the 3rd of June 2010, namely:</p> <p>1. Supply Chain and cash and banking policy</p> <p>2. The Bylaws have been and will be handed over to Corporate Services Department so that they can gazette them.</p>	
2. Human Resources Management within the Financial Services Department	<p>Every employee has a job description.</p> <p>All policies and procedures are adhered to within the Financial Services.</p> <p>All employees in the department have learning plans.</p> <p>Compliance with Health and Safety policy</p> <p>Reduced rate of absenteeism</p>	<p>All employees have been given a job description and a JD workshop was held on the 14th of May 2010 where individual JD's were discussed in the presence of the union.</p> <p>All arrears of attention with regards to employee skills have been identified and will be addressed in the following financial year</p>	<p>Assess employee performance at least four times a year.</p> <p>Develop and implement individual learning plans</p>
3. Manage and Control all Municipal Finances	<p>Budget in place on time</p> <p>Full and proper records of the Municipality are kept in accordance with any prescribed norms and standards.</p>	<p>Draft budget was presented will Council on March 2011.</p> <p>Final Draft was presented to Council on May 2011.</p>	<p>Prepare the annual budget for tabling and approval in accordance with the MFMA;</p> <p>Prepare monthly reports to Departmental Managers i.r.o. I & E</p>

<p>Improve Liquidity</p> <p>Create cash reserves</p>	<p>Monthly reports were distributed to the Heads of Departments. These reports were previously not being signed for by HOD's and CFO for proof of receipt or review.</p> <p>Annual Financial Statements for 2010/2011 were submitted on time and the municipality received an unqualified audit opinion.</p> <p>Collection rate at end June was 83 %.</p> <p>The cash-flow policy is a section of the investment policy. The cash flow of the municipality has been positive for the past 4 months therefore even thou the overdraft is not yet reduced, its use has been.</p> <p>Cash-flow forecast meetings were the mechanism that helped to align the demand to available resources and ensure an efficient turnaround time of requisitions.</p> <p>Monthly reports on supply Chain had not been performed. This item will be reported on going forward and will form part of the</p>	<p>Adjustment budge;</p> <p>Prepare annual financial statements (09/10);</p> <p>Improve collection rate up to an average 70% per month;</p> <p>Reduce usage of overdraft facility by an average of 50% per month.</p>
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		<p>expenditure accountant's monthly report to the CFO.</p> <p>The concept of consolidated billing will be asset register is being converted to be GRAP compliant.</p> <p>Action plans to resolve prior year audit issues was developed and sent to the MM for endorsement.</p>	
4. Manage Operations		<p>The position of enquiries clerk and credit control clerk took 8 months to recruit and appoint. Hence no personnel were in place to ensure that this KPA was achieved.</p> <p>A queries register is being maintained, with plans to have it as a shared document, with read only access to all personnel in the Finance Department.</p> <p>Departmental meetings are being held. Prior to February formal minute taking was not being done.</p> <p>A suggestion box and client satisfaction rating is being pursued by the Income Accountant.</p>	<p>Implementation of an effective customer service programme within the Finance department which is consistent with the Batho-Pele principles.</p> <p>Maintenance of the complaints and queries register.</p> <p>Holding monthly Departmental meetings.</p> <p>Prepare plans for billing of customers to ensure that accurate for services and rates are issued timely.</p> <p>Develop a plan for Optimal/effective utilisation of all physical resources allocated to the Finance Department. Ensuring that all financial service centres are easily accessible and adequately resourced at all times to meet the expectations of customers</p>

5.2 Youth, Economic, and Community Services

Function:	Health Clinics		
Sub-Function:	Clinics		
Reporting Level	Detail	Total	
Overview	Includes all activities associated with the provision of a continuum of Primary Care Services		
Description of Activity:	The function for the provision of community health clinics within the Municipality is administered as follows and includes: Two Primary Health Clinics which render a full continuum of Primary Health Care Services for both chronic and acute illnesses to predominantly urban areas. These services extend to include areas such as Rosetta and Mooi River. All of these areas are within the Mpofana Municipality boundary. Areas outside this parameter are serviced by the Provincial Department OF Health by way of mobile clinics.		
Mandate:	In terms of the Constitution of the RSA the mandate of the Municipality is the promotion of a safe and healthy environment.		
Strategic Objective:	<ul style="list-style-type: none"> To ensure provision of holistic primary health care service. To ensure access to qualify primary health care. To develop and implement the HIV/AIDS strategy. Ensure effective functioning of Local Aids Council. 		
Analysis of the Function:	Number of cost to employer o all health personnel:		
1.	<ul style="list-style-type: none"> Professional (Doctors/ Specialists) Professional Nurses/ Aides Para-Professional (Clinic Staff qualified) No Professional (Clinic Staff unqualified) Temporary staff Contracts 	0 2 1 9 0 0	
2.	<p>Note that the total number to be calculated on full-time equivalent (FTE) basis, total costs to include total salary package.</p> <p>Total annual patient head count for service provided by the municipality:</p> <ul style="list-style-type: none"> 65 years and over 40 to 64 years 15 to 39 years 	12 0 0 0 0	R22 437 034

	<ul style="list-style-type: none"> • 0 to14 years • Other 	19 524	
3.	Estimated backlog in number of costs to build clinics (Tendele and Middelrus) (This information and costs for its future budget does appear in the IDP 2010/2011)	2	R 5m
4.	Type and number of grants and subsidies received: Department of Health State Subsidy	R Nil	R Nil
5.	Total operating cost of health (clinic) function:		R1, 288. 384

Key Performance Area	Performance During the Year; Performance Targets against Actual achieved and Plans to improve Performance	Current/Actuals	Target
Social Development	<ul style="list-style-type: none"> • Numerous workshops with various stakeholders held and the HIV strategy finally adopted • Implementation plan to be developed and implemented in the following year 	<ul style="list-style-type: none"> • HIV strategy developed • LAC established • WAC established 	Develop and implement the HIV strategy

Function	Planning and Development		
Sub function:	Economic Development		
Reporting Level	Detail	Total	
Overview	This Function includes all activities associated with planning development and initiatives within the Municipality		
Description of the Activity:	<p>The function of planning and development within the municipality is administered as follows and it includes the following:</p> <ul style="list-style-type: none"> • Town and Regional Planning and Local Economic Development 		
Mandate	In terms of the Constitution of the RSA the mandate of the Municipality is the promotion of social and economic development.		
Strategic Objectives	<p>The strategic objectives of this function are to:</p> <ul style="list-style-type: none"> • Develop the necessary capacity and economic development programmes; • Develop land Development plan for economic development through area based plans; • Implement the Tourism Development 		

	<p>Strategy;</p> <ul style="list-style-type: none"> • Establish an Economic Development Forum • Effective management including marketing of tourism information office; • Entrepreneurship training and support; • Implement Trading Regulations/policy and bylaw; • Develop and implement a Marketing plan • Prepare and implement the infrastructure Development plan for Economic development; • Develop and implement a business retention and expansion strategy. 		
Key Issue/s for 2010/2011	<ul style="list-style-type: none"> • How do we create a conducive environment for economic growth and development? • SDF and LUMS acquisition 		
Analysis of the Function:	Number and costs to employer of all economic development personnel		
1	<ul style="list-style-type: none"> • Professional Directors/ Managers 	2	R165665 <u>R165 665</u> <u>R331 330 T/C</u>
	<ul style="list-style-type: none"> • Non-professional (Clerical/ Administrative) 	0	0
	<ul style="list-style-type: none"> • Contract 	0	0
	Note that the total number to be calculated on full-time equivalent (FTE) basis, total costs to include total salary package.	1	R 165 665
	Detail and cost of incentives for business investment:	0	0
2	Rates and Service Incentives for Tai Yuen Textiles		R599 358
	Detail and cost for other rural development strategies	None	
3	Value of Building plans approved		R27240000

Key Performance Area	Performance During the Year; Performance Targets against Actual achieved and Plans to Improve Performance	Current/Actual	Target
Development Planning	IDP developed and adopted timeously. The Municipality is to explore, depending on the availability of resources when aligning the budget to the IDP, the possibility of reflecting area based planning.	IDP prepared and adopted end of June 2011	SDF Reviewed
	Development of the Land Use Management System(LUMS)	The project is 95% complete	LUMS completed
	Development and implementation of the LED Strategy	<ul style="list-style-type: none"> The LED Officer was appointed in November 2009; LED Strategy in already in place. 	LED Strategy's awaiting Implementation.
	Local Economic Development Strategies/Projects: i.e. Tourism; Economic Development Forum; Training of Entrepreneurship; Trading Policy; Attracting potential Investors; Tendele Meat Processing Plant; N3 Gateway; Middle/Upper Income Retirement village at Hidcote; Spar Development; WozaWozaLapa for Tourism; Bhanoyi Estates; Business Expansion and Retention; an incentive scheme	Tourism officer was appointed; forum is in place; training of Informal Traders, Textiles Co-operatives, Arts and Craft, Agriculture, and others were done; feasibility studies for meat processing plant and N3 Gateway completed; Retirement village awaiting procurement of land; WozaWozaLapa is towards completion, Bhanoyi Estates in process. An incentive scheme is in place pending the availability of investors.	Maintenance of cadastral data

Function	Planning and Development		
Sub function:	Economic Development		
Reporting Level	Detail	Total	
Overview:	Includes all activities associated with the provision of community and social serviced		
Description of the Activity	<p>The function of provision of various social services within the Municipality is administered as follows and includes:</p> <ul style="list-style-type: none"> • Two libraries; • A museum, and • Youth Advisory Centre <p>These services are located at a central point in Mooi River and Bruntville for easy access from all four Municipal Wards.</p>		
Mandate	In terms of Section152 of the RSA Constitution the mandate of the Municipality is the promotion of social and economic development		
Strategic Objectives	<p>The strategic objectives of this function are to:</p> <ul style="list-style-type: none"> • To ensure improved quality of education and adequate access to educational facilities; • To promote equal access to social and recreational facilities; • To promote HIV/AIDS awareness and education; • To promote access to art and culture opportunities; • To empower the youth to become active and responsible participants in terms of self-development and society as a whole. 		
Key Issues of 2010/2011	Key Issue is the development of necessary capacity and social development programmes.		
Analysis of function	Nature and extent of facilities provided	No. of facilities:	No. of users:
1.	<ul style="list-style-type: none"> • Library Services • Museums and art and galleries • Youth Advisory Centre • Sporting facilities • Parks 	2	2500
		1	250
		1	3500
		15	
		3	15432
2.	<p>Number of cost to employer of all personnel associated with each community services function:</p> <ul style="list-style-type: none"> • Library Services • Museums and art and galleries • Youth Advisory Centre 	4	282758 F
		1	28319 F
		2	F
3	Total Operating cost of social services function		481 077

Key Performance Area	Performance During the Year; Performance Targets against Actual achieved and Plans to Improve Performance	Current/Actual	Target
Social Development	FET College	FET is placed as Eminyezaneni High School. Is functional and active.	Putting security measures in place to prevent burglary and theft.
	Establishment of a Hospice at Bruntville	Feasibility study completed.	Business plan To secure establishment funds
	ABET Programme	Abet is operational	Develop and implement a programme to promote ABET Centre.

5.3 Infrastructure Development and Maintenance

Function	Technical Services		
Sub function:	Waste Management: Solid Waste		
Reporting Level	Detail	Total	
Overview:	Includes refuse removal; solid waste disposal, and landfill; street cleaning and recycling		
Description of the Activity	<p>The waste management function of the Municipality are administered as follows, and include:</p> <ul style="list-style-type: none"> • Refuse removal form door to door and street corners on weekly basis. Also involves transporting refuse to landfill. • Landfill site compaction and daily cover. • Streets and drains cleaning. 		
Mandate	<p>The Municipality has a mandate:</p> <ul style="list-style-type: none"> • To provide basic services to communities a sustainable manner in terms of Section 152 of the RSA Constitution. • To promote safe and healthy environment 		
Strategic Objectives	<ul style="list-style-type: none"> • To develop and implement the waste management plan. • To develop and implement a general maintenance plan. 		
Key Issues of 2010/2011	The key issue is to create and ensure a clean, neatly maintained, conducive and healthy living environment for the community.		
Analysis of function	<p>1.</p> <p>Number and cost to employer of all personnel associated with refuse removal:</p> <ul style="list-style-type: none"> - Professional (Engineers/Consultants) 1 - Field (Supervisors/ Foremen) 1 - Office (Clerical/ Administration) 0 - Non-professional (Blue collar/ outside workforce) 5 - Temporary 0 - Contract 0 TOTAL 7 <p>Note: Total number is to be calculated on full time equivalent (FTE) basis. Total cost to include total salary package.</p>		
	<p>2.</p> <p>Number of households receiving regular refuse removal services, and frequency and cost of service:</p> <ul style="list-style-type: none"> - Removal by Municipality at least once a week. Achieved - Removal by Municipality less often N/A - Communal refuse dump N/A - Own Refuse Dump N/A 		

3	- No rubbish disposal Note: If other intervals of services are available, please provide details	N/A N/A N/A	
	Total and projected tonnage of all refuse disposed: - Domestic/ Commercial - Garden Note: Provide total tonnage for current and future years activity	600 250 850	
	Total number, capacity and life expectancy of refuse disposal sites: - Domestic/ Commercial (number) - Garden	1	2yrs
4.			
Reporting Level	Detail	Total	
5.	Anticipated expansion of refuse removal service: - Domestic, and - Garden	9646	R(000s) R2 367 563
6.	Provision of Free Basic Service; Free refuse removal is provided to all households, regardless of their indigent status		R1 011 944
7.	Total operating cost of solid waste management function		R(000s) R1 011 944

Key Performance Area	Performance During the Year; Performance Targets against Actual achieved and Plans to Improve Performance	Current Actual	Target
1. To develop a waste management plan	<p>1. Waste Management plan in pipeline since the Professional Technical Manager has been employed. However, Financial resources are still limited for the urgent implementation of the plan.</p> <p>2. Routine Maintenance of Bruntville, CBD, Rosetta and Suburbs Area is in place.</p> <p>3. A General Maintenance plan is in place for the following activities:</p> <ul style="list-style-type: none"> - Grass cutting (Pavements, verges, sports fields, Community Centres and Public Areas) - Maintenance of the Municipal Gardens <p>Challenge: 1. General maintenance is still carried out</p>	Nil	<p>1. Development of Waste Management Plan</p> <p>2. Development and implementation of daily refuse site maintenance</p>

	<p>with limitation on the sustenance of programmes due to a limited financial resource.</p> <p>2. The need to purchasing new equipments for maintenance still remains due to limited financial resources.</p> <p>3. Limited financial resources prevented employment of more staff essentially needed for daily maintenance, monitoring and guarding the refuse landfill site</p>		
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Function	Housing		
Sub function:	N/A		
Reporting Level	Detail	Total	
Overview:	Includes all activities associated with provision of housing		
Description of the Activity	<p>The function of provision of housing within the Municipality is administered as follows and includes:</p> <ul style="list-style-type: none"> • Assessment of housing need • Packaging of projects based on the need and submitting applications to the Department of Housing and funding • Housing project management 		
Mandate	<p>The Municipality has a mandate:</p> <p>To provide basic service need of a sustainable shelter to the SA communities in terms of Section 152 of the RSA Constitution.</p>		
Strategic Objectives	<p>This is function is required in order :</p> <p>To reduce the housing the housing backlog and ensure the provision of basic housing to the community. (Access to basic housing: Number of houses built and handed over to beneficiaries)</p>		
Key Issues of 2010/2011	Mobilization of a financial Resource and implementation of projects for decent housing provision to those still needing in the Municipality		
Analysis of function 1.	Number and cost of all personnel associated with the provision of municipal housing	1	<p>R(000s)</p> <p>R450 000</p>

	<ul style="list-style-type: none"> - Professional (Engineers/Consultants) - Field (Supervisors/ Foremen) - Office (Clerical/ Administration) - Non-professional (Blue collar/ outside workforce) - Temporary - Contact 	1	R61 780
	TOTAL	2	R511 780
2.	Note: Total number is to be calculated on full time equivalent (FTE) basis. Total cost to include total salary package. Professional includes project design. Field includes all tradespersons		
3.	Number and total value of housing projects planned and current:		R(000s)
	<ul style="list-style-type: none"> - Current (Financial year after year reported on. - Planned (Future years) 	R1560 636	R100m
4.	Total type, number and value of housing provided during financial year	R1560	R(000s) 0
5.	Total type, number and value of rent received from Municipal owned rental units.	70	R(000s) 247 808
6.	Estimated backlog in number of (and cost to build) housing:		R(000s)
	Note: Total number should appear in IDP, and cost in future budgeted capital housing programmes	2727	200 000 000
	Type of habitat breakdown:		
	- Number of people living in a house of brick structure.	6870	
	- Number of people living traditional dwelling.	2383	
	- Number of people living in a flat in block of flats.	100	
	- Number of people living a town/ cluster/ semi detached group dwelling.	N/A	
	- Number of people living in an informal dwelling or shack	258	
	- Number of people living in a room or flatlet	150	
Reporting Level		Total	
7.	Type and number of grants and subsidies received:		R(000)
	Housing Rehabilitation programme	1560	

Key Performance Area	Performance During the Year; Performance Targets against Actual achieved and Plans to Improve Performance	Current/ Actual	Target
Basic Service Delivery and Infrastructure Development	<ul style="list-style-type: none"> To develop a housing needs data base To assess a potential of middle and high income housing. To develop and implement a Housing Sector Plan: (Rural Housing Projects: 850 Craigburn; 120 Frystaa t; 125 Rosetta) (Urban Housing Projects: 82 Houses in Bruntville) To finalise the existing Housing Projects To develop Infrastructure maintenance plan 	<p>-Ratification of Townview houses completed.</p> <p>-Maintenance Plan is in pipeline pending the appointment of the Technical Services Manager.</p>	<ul style="list-style-type: none"> ➤ 100 middle income houses near Tai Yuen Textiles. ➤ 1095 Rural and 82 urban housing projects at a total of 1177 new houses ➤ Phumlaas

Function Sub function:	Technical Services Roads
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Reporting Level	Detail	Total	
Overview:	Construction and maintenance of roads within the jurisdiction of the Municipality		
Description of the Activity	<p>The road maintenance and responsibility of the Municipality are administered as follows and include:</p> <ul style="list-style-type: none"> Roads repairs and construction. <p>These services extend to include the construction and maintenance of the Municipal Roads, but do not take into account the Provincial and National Roads as these are catered for by the Provincial and National Government.</p>		
Mandate	<p>Municipality has a mandate to:</p> <ul style="list-style-type: none"> Provide basic services to communities in a sustainable manner in terms of Section 152 of the RSA Constitution; 		

	<ul style="list-style-type: none"> Promote social and economic development; Promote safe and healthy environment 		
Strategic Objectives	<p>The Municipality should:</p> <ul style="list-style-type: none"> Develop roads network plan for construction; Develop plan for upgrading Mpofana roads; Develop and implement Infrastructure Maintenance Plan; Create and sustain a conducive environment for Economic Growth and Development; Ensure continuous improvement in the level and quality of service delivery. 		
Key Issues of 2010/2011	Mobilization and effective use of resources to continuously improve the level and quality of service delivery.		
Analysis of function: 1.	<p>Number and cost of all personnel associated with Roads construction and maintenance:</p> <ul style="list-style-type: none"> - Professional (Engineers/Consultants) - Field (Supervisors/ Foremen) - Office (Clerical/ Administration) - Non-professional (Blue collar/ outside workforce) - Temporary - Contact TOTAL <p>Note: Total number is to be calculated on full time equivalent (FTE) basis. Total cost to include total salary package</p>	<p>N/A</p> <p>1</p> <p>0</p> <p>16</p> <p>0</p> <p>0</p> <hr/> <p>17</p>	<p>R(000)</p> <p>R13 654 06</p>
2.	<p>Total number, kilometers and total value of road projects planned and current:</p> <ul style="list-style-type: none"> - New bituminized (number) - Existing re-tarred (number) - New gravel (number) - Existing re-sheeted (number) 	8kms	R(000)
3.	<p>Total kms and maintenance cost associated with existing roads provided:</p> <ul style="list-style-type: none"> - Tar - Gravel TOTAL <p>Note: if other types of roads are provided, please provide details.</p>	<p>8kms</p> <p>5kms</p>	<p>Costs</p> <p>R218 228</p> <p>R 93529</p> <p>R311 764</p>
	<p>Average frequency and cost of re-tarring, re-sheeting roads:</p> <ul style="list-style-type: none"> - Tar 	N/A	R(000s)

4.	- Gravel NOTE: Based on maintenance records		
5.	Estimated backlog in number of roads, showing kms and capital cost: - Tar - Gravel	17km 20km	R22m R6m
Reporting Level	Detail	Total	Cost
6.	Total operating cost of road construction and maintenance function		R(000s) R1 752 9174

Key Performance Area	Performance During the Year; Performance Targets against Actual achieved and Plans to Improve Performance	Current	Target
Develop roads network plan for construction and upgrading of roads in Mpofana	<ul style="list-style-type: none"> - Gwala Park road construction and development project has been completed - CBD roads (Phase 1) has been completed - Existing tar and gravel roads are routinely maintained when conditioned by the availability of financial resource and general capacity. 		<p>CBD Phase 2</p> <p>General maintenance of existing roads infrastructure.</p>

Function	Electricity		
Sub function:	Electricity Distribution		
Reporting Level	Detail	Total	
Overview:	Includes the bulk purchase and distribution of electricity		
Description of the Activity	<p>The electricity purchase and distribution functions of the Municipality are administered and include the following:</p> <ul style="list-style-type: none"> • Distribution of electricity to all areas within the old TLC boundaries. • Distribution of electricity to the extent of Mooi River, excluding Rosetta and most of the Farms which reside within the jurisdiction of the Municipality. 		
Mandate	<p>The Municipality has a mandate to:</p> <ul style="list-style-type: none"> • Provide basic services to communities in a sustainable manner in terms of Section 152 of the RSA. • Promote social and economic development. 		
Strategic Objectives	<p>The strategic objectives of this function are:</p> <ul style="list-style-type: none"> • Prepare business plans and Secure funds for Infrastructure Development <ul style="list-style-type: none"> - % of household with access to solar panel - Number of Households liable for New Connections - Number of Streetlights Maintained - To develop an electrification plan, when taking into account the backlogs (Wards 2 and 4: Rocky Drift and Muden). • Upgrade electricity network and substations 		
Key Issues of 2010/2011	To ensure that all households have access to basic level of electricity services		
Analysis of the function: 1.	<p>Number and cost of all personnel associated with the electricity distribution function:</p> <ul style="list-style-type: none"> - Professional (Engineers/Consultants) 1 - Field (Supervisors/ Foremen) 3 - Office (Clerical/ Administration) 6 - Non-professional (Blue collar/ outside workforce) - Temporary - Contact TOTAL <p>Note: Total number is to be calculated on full time equivalent (FTE) basis. Total cost to include total salary package</p>		R(000s)
	Total quantity and cost of bulk electricity	4586249	R1 3464 963
			R(000s)

2.	purchases in the kilowatt hours and rand, by category of consumer: Total Bulk Purchases :	3	15 950 254
3.	Total quantity and receipts for bulk electricity sales in kilowatt hours and rand, by category of consumer: Total Electricity receipts		R(000s) 17 863 326
4.	Total year- to-date electricity losses in kilowatt hours and rand		R(000s) 545 577
5.	Number of households with electricity access, type and cost of service.		R(000s)
Reporting Level	Detail	Total	Cost
6.	Electricity areas: 1. Municipality 2. Eskom TOTAL	4000 600 <hr/> 4600	R17 863 326
7.	Number of households and costs of new connections	176	R(000s) 102 769
8.	Number and cost of connections and reconnections	2005	R(000s) 152 200
9.	Number and total value of electrification projects planned and current: - Current - Planned Note: Provide total project and its value as per initial or revised budget.	0 4473	0 24 601 500
10.	Anticipated expansion of electricity service Note: Provide total number of households anticipated to benefit and total additional operating cost per year to the Municipality 1 st year 2 nd year 3 rd year 4 th year 5 th year	895 895 895 895 895	R(000s) 5500 5500 5500 5500 5500
11.	Estimated backlog in number (and cost to provide) electricity connections	4473	24 601 500
	Free Basic Service Provision - Quantity (number of households affected) - Quantum (value of each household)	0 0	R(000s)
12.	Type and number of grants and subsidies received		R(000s)

	Capacity upgrade- Department of Minerals and Energy		0
12.	Total operating cost of electricity distribution function		R(000s) 17 863 326

Key Performance Area	Performance During the Year; Performance Targets against Actual achieved and Plans to Improve Performance	Current/ Actual	Target
To ensure that every household has access to basic level of household services	<ul style="list-style-type: none"> - The electrification plans not yet developed due to limited financial resources and capacity constraints. 	<p>Upgrade of one Substation is 100% complete</p> <p>Almost 200 Streetlights Maintained</p> <p>60 new electricity connections at Townview done and completed</p>	<p>-Two more substations are needed upgraded</p> <p>- To assess and verify % of household with access to solar panel</p> <p>-To formulate the grid and none grid supply networks in Local Municipality</p> <p>- To develop REDS Preparation Plan</p> <p>- To develop and implement electrification plan; taking into account backlogs.</p>

5.4 Governance and Organisational Development

Function	Corporate Services		
Sub function:	Human Resources		
Reporting Level	Detail	Total	
Overview:	<p>Relates all activities relating to the human resource management function of the Municipality. Includes recruitment; selection and induction. Also performance management system, code of conduct, decision making systems, and industrial relations.</p> <p>Note: Read in conjunction with Chapter 3 on Human Resource Management.</p>		
Description of the Activity	<p>The function of Human Resource Management within the Municipality is administered as follows and includes:</p> <ul style="list-style-type: none"> • Recruitment and selection; • Industrial relations; • Human Resource development • Benefits 		
Mandate	<p>The Municipality has a mandate:</p> <ul style="list-style-type: none"> • To give effect to, and regulate fundamental rights conferred by Section 27 of the Constitution. • To give effect to obligations incurred by the Republic as a member of the International Labour Organisation. • To provide a framework within which employees and their trade Unions, employees and employers organizations can collectively bargain. • To promote orderly collective bargaining at sectoral level, employee participation in decision-making in the workplace and effective resolution of labour disputes. 		

Strategic Objectives	To instill, advance and sustain a good organizational culture, sound labour relations and service excellence		
Key Issues of 2010/2011 Analysis of function 1.	<p>Institutional/organizational development</p> <p>Total staff complement and cost to the municipality</p> <p>Number and cost to employer of all Municipal staff employed:</p> <ul style="list-style-type: none"> - Professional (Engineers/Consultants) - Field (Supervisors/ Foremen) - Office (Clerical/ Administration) - Non-professional (Blue collar/ outside workforce) - Temporary - Contact TOTAL <p>Note: Total number is to be calculated on full time equivalent (FTE) basis. Total cost to include total salary package</p>	<p>Total</p> <p>2</p>	<p>Cost</p> <p>94658.14</p>
Key Performance Area	Performance During the Year; Performance Targets against Actual achieved and Plans to Improve Performance	Current	Target
Managing Human Resources Division to ensure sound labour relations	<ul style="list-style-type: none"> • Development and completion of all job descriptions. Evaluations to be continual and /or when necessary; • Identify Crucially needed Skills for the Municipality Development; • A report on HR policy environment; • Skills needs Audit Report 	<ul style="list-style-type: none"> - Almost 50% employee job description are in place. -A bursary scheme is in place. -OPMS is in place. 	<ul style="list-style-type: none"> • Complete development of all 50% outstanding job descriptions • Develop individual learning plans. • Develop and implement skills

	<ul style="list-style-type: none"> • Evaluation report on skills developed; • Develop Training Programmes/manuals • Establish HR Development unit • Customer Service Strategy 	<p>-Customer Service programme is in place: Help desk is being effectively used.</p> <p>-Some of the targets not achieved due to the limited capacity in the Human Resources Division.</p> <p>-Skills needs Audit Report is in place</p>	<p>development plan.</p> <ul style="list-style-type: none"> • Develop and implement Individual Performance Management System. • Develop and implement training programmes/ Manuals. • Establishment of HR Unit. • Development of training Manuals
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Function	Corporate Services
Sub-function	Traffic and Law Enforcement

Reporting Level	Detail	Total
Overview	This function includes police force and traffic (and parking) control.	
Description of the Activity	<p>The function of the policing and traffic control within the Municipality is administered and includes the following functions:</p> <ul style="list-style-type: none"> • Law enforcement; • Vehicle Testing Drivers Licensing; • Vehicle Testing and Camera Office <p>These services extend to include:</p> <ul style="list-style-type: none"> • The testing of Learners Licenses; • Renewal of Drivers Licenses; • Professional driving permits; • Duplicate learners and driving licenses; • Eye tests and finger prints; • E-natis transactions • Renewal of motor vehicle licenses; • Licensing: Special and temporary • Scrapping; 	

	<ul style="list-style-type: none"> • Road worthy certificates; • Response to call outs; • Law enforcement; • Visible policing for crime prevention; • Capture of traffic violations; • (De) registration of officers; • Training of authorized officers residing within the Department of Transport jurisdiction; • Speed Camera processes and capture of speed infringements; • Post all speed camera fines and collect fines 		
Mandate	<p>The Municipality has a mandate in terms of National Road Traffic Act :</p> <ul style="list-style-type: none"> • To provide for road traffic control and the implementation of the Act which shall apply uniformly throughout the jurisdiction of the Municipality and for matters connected therewith. 		
Strategic Objectives	<p>The strategic objective of the Traffic Section is :</p> <ul style="list-style-type: none"> • To develop and implement systems, procedures and controls that will ensure effective and efficient management of the traffic and law enforcement unit (Law Enforcement Testing Ground and Licensing Section). 		
Key Issues of 2010/2011	<ul style="list-style-type: none"> • Implementation/ Enforcement of National Road Traffic Act of 1996 as amended. • Compliance with the Learners and Driving License Testing Policies and Procedures Manual. 		
Analysis of function: 1.	<p>Details of Law Enforcing activities:</p> <ul style="list-style-type: none"> • Number and cost to employer of all personnel associated with Traffic and Law Enforcement. 	15	1 334 229. 91
2.	<p>Total number of all call-outs attended: Emergency call outs</p>	34	
3.	<p>Average response time to call out</p>	5	
	<p>Total number and type of</p>		

4.	emergences leading to loss of life or disaster: Type of all call-outs vary between vehicle accidents, fire hazards, obstacles and SAPS call outs. Total operating cost of Traffic function		R1 919 323.00
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Key Performance Area	Performance During the Year; Performance Targets against Actual achieved and Plans to Improve Performance	Current/ Actual	Target
Effective and efficient management of the traffic and law enforcement	There is fully functional Traffic and Safety unit that ensures full implementation and enforcement of the National Road and Traffic Act and all other relevant pieces of legislation.		Full implementation and enforcement of the National Road and Traffic Act. Compliance with the learners and Driving License Testing policies. Expansion of services offered by Traffic and Safety Unit

Function Sub-function	Corporate Services Administration and Support Services		
Reporting Level	Detail	Total	
Overview	This function includes the provision of support services to both the Administrative and political structures of the Municipality.		
Description of the Activity	The function of the Administration and Support Services within the Municipality is administered and includes the following functions: <ul style="list-style-type: none"> • Management of Municipal property; • Management of Committees; • Management of Capital and Operations Budget; • Provision of administration support to political structure, and • Management of community facilities. 		
Mandate	The Municipality has a mandate in terms of the Constitution of the RSA: <ul style="list-style-type: none"> • To ensure the provision of services to 		

	communities in a sustainable manner.		
Strategic Objectives	<p>The strategic objective of the Administration and Support is :</p> <ul style="list-style-type: none"> To develop policies, procedures and work schedules for the hygienic and good housekeeping in all Municipal Administration buildings; To develop controls and procedures for management of administration facilities and equipment; To put in place and sustain an effective secretariat, registry' and reception activities. To manage effectively all contracts with service providers. 		
Key Issues of 2010/2011	To develop and maintain an economical, effective, efficient, accountable and performance driven support and administration service.		
Analysis of function: 1.	<p>Details of the Administration and support Activities:</p> <p>Number and cost to employer all personnel associated with Administration and Support</p>	18	R 1 962 439

Key Performance Area	Performance During the Year; Performance Targets against Actual achieved and Plans to Improve Performance	Current/ Actual	Target
	<ul style="list-style-type: none"> Collation of input and submission of reports for the compilation of agendas For all Council and Portfolio meetings; Continuous management of all contracts with service providers; Development of policies, procedures and work schedules for hygienic and good housekeeping in all Municipal Buildings 	<p>In place and continual</p> <p>In place and continual</p> <p>In place and continual</p>	

Function	Corporate Services
Sub-function	Legal Services

Reporting Level	Detail	Total
Overview:	This function includes provision of legal services to the Municipality.	

Description of Activities:	The function of the Legal Services includes the provision of legal advice Municipality to ensure that the Municipality does not attract undue obligations.		
Mandate:	The municipality has a mandate in terms of the Constitution of the RSA to make and administer laws for the effective administration of the matters which it has the right to administer.		
Strategic Objectives:	<p>The strategic issue of the legal services is:</p> <ul style="list-style-type: none"> To Update and enforce Municipal Bylaws. To keep records of all transgressions and action taken. To provide good legal advice to ensure that the Municipality does not attract undue obligations. To communicate all By-laws to the public. To ensure public Involvement and Participation in Council Meetings to Municipality. To ensure public involvement and participation in Ward Committee matters. 		
Analysis of function:	<p>Details of Legal Services Function:</p> <p>Number and cost to employer of all personnel associated with Legal Services</p>	<p><u>Number</u> 1</p>	<p><u>Cost</u> 360 000</p>
Key Performance Area	<p>Performance During the Year; Performance Targets against Actual achieved and Plans to Improve Performance</p>	Current/ Actual	Target
<p>To develop new, and update the existing bylaws</p> <p>To provide legal advice to the Municipality</p>	<ul style="list-style-type: none"> Keep records of all transgressions and action taken. Provide good legal advice to ensure that the Municipality does not attract undue obligations. Ensure public Involvement and Participation in Council Meetings to Municipality. Ensure public involvement and participation in Ward Committee matters. 		



Chapter 6:

Conclusion

It can be concluded that great effort was put towards the implementation of the municipality plans and procedures by all stakeholders. However, it can be argued that most of the shortcomings endured were due to the scarcity of the financial resource. Hence it has been perceived it essential that focus should be put on the finance securing strategies through the municipal revenues forthcoming year.